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ROYAL COMMISSION ON DOMINION PROVINCIAL-RELATIONS

REPORT OF HEARINGS

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REPORTERS:

George Thompson
John Robertsen
David Torry



OTTAWA, ONTARIO, MAY 30, 1938

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CHAMBER OF COMMERCE

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

OTTAWA, ONTARIO, MAY 30, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Hearing Room, Board of Railway Commissioners, Ottawa, On Monday, May 30, 1938, at 10.30 a.m.

PRESENT:

COMMISSIONER JOSEPH SIROIS....THE ACTING CHAIRMAN

JOHN W. DAFOE, Esq.

PROFESSOR HENRY FORBES ANGUS

Commissioners

Commission Counsel:

James McGregor Stewart, K. C.

Secretariat:

Alex. Skelton, Esq.

Adjutor Savard, Esq.

R. M. Fowler, Esq.

Wilfrid Eggleston, Esq.

Secretary

Secrétaire Fraincais

Legal Secretary to

The Chairman

Assistant to the

Secretary

FOR THE CANADIAN CHAMBER OF COMMERCE:

H. W. Morgan, Esq.

J. V. R. Portous, Esq.

R. P. Gullett, Esq.

Fred Johnson, Esq.

C. E. Gravel, Esq.

Representative

Representative

Representative

Representative

Representative

FOR THE GRAND ORANGE LODGE OF ONTARIO WEST:

L. H. Saunders, Esq.

W. L. Lawrence, Esq.

W. J. Miller, Esq.

Secretary

Representative

Representative

FOR THE DOMINION GOVERNMENT:

Dr. Charles Camsell

R. A. Gibson, Esq.

J. M. Wardle, Esq.

W. H. McGill, Esq.

John McLeish, Esq.

F. C. Blair, Esq.

Deputy Minister of Mines & Resources

Director, Lands, Parks, and Forests

Director, Surveys & Engineering
Branch

Director, Indian Affairs Branch

Director, Mines & Geology Branch

Director, Immigration Branch

Hearing Room, Board of
Railway Commissioners,
Ottawa, Ontario,
May 30th., 1938

MORNING SESSION

The Commission met at 10.30 A.M.

THE ACTING CHAIRMAN: Mr. Morgan, are you ready to proceed?

MR. H. W. MORGAN: Yes sir. I would like to say, Mr. Chairman that the Chamber of Commerce appreciates very much the opportunity of appearing before this body and giving us the right to submit a short brief from a national standpoint and a businessman's standpoint on the problems presented in the country today.

The members collaborating with me here this morning are Mr. J. V. R. Porteous, Vice Chairman of the Executive of the Chamber of Commerce and is a wholesaler, President of Greenshields-Hodgson-Racine in Montreal; Mr. R. P. Bellett, who is the General Manager of the Royal Trust Company in Montreal; Mr. Fred Johnson, Vice President of the Bell Telephone Company and Mr. C. E. Gravel, a manufacturer and industrialist; and myself from the retail.

We are anxious to present this brief to you and we hope it will be useful to the Commission, and we would like to assure the Commission of our collaboration and wish to be of help.

THE ACTING CHAIRMAN: We are sure of that.

MR. MORGAN: With that I would like to read a short brief. It is not full of statistics but it is rather broad in its intent and will not take me very long to read.

THE ACTING CHAIRMAN: Take all the time you like.

MR. MORGAN: Thank you very much.

Mr. Chairman and Gentlemen:

" The appointment of the Royal Commission on Dominion-Provincial Relations was particularly gratifying to the Canadian Chamber of Commerce, in view of the fact that since 1933, the Chamber, on behalf of its member organizations and in conjunction with other public bodies, had urged the appointment of a Royal Commission to consider Canadian public finance on a basis similar to the terms of reference given the "May Commission", which functioned so successfully some years ago in England.

The Chamber is basically a voluntary association of 117 Boards of Trade and Chambers of Commerce. These members function actively in every province of the Dominion and a number of them have already been represented before you and apprised you of the business opinion in their communities. The Chamber contains also within its membership a few national trade associations, and over 350 business enterprises in the Dominion, the activities of which are for the most part of a national character. In order to obtain the opinions of our members on the fundamental questions being considered by this Commission and on which the Chamber had not previously formulated a definite policy, the Chamber released two Questionnaires (Exhibit 1 and Exhibit 2.). The representations made herewith are based (a) upon the views and opinions of the individual Boards of Trade and Chambers of Commerce from coast to coast (Exhibit 3) embracing as they do a cross section of the business interests in their respective Canadian towns and cities; (b) upon the views of individual members and (c) upon established Chamber policies as approved

at Annual Meetings or through referenda.

NATIONAL POINT OF VIEW

As an institution embracing a substantial part of all phases of Canadian commercial life in the nine provinces, the Chamber makes its recommendations from a national point of view. Similarly, it is believed that any readjustment that may ultimately be recommended in existing Dominion-Provincial Relations should be carried out for the benefit of Canadians as citizens of Canada, rather than as interested residents of any particular province, municipality or district. The one and the same Canadian, generally speaking, elects an administrative body in each of these governmental divisions and pays the taxes for their upkeep. Because of this community interest, the Canadian citizen is equally concerned with the financial position and administrative efficiency of all these spheres of government -- federal, provincial and municipal. Advantage or disadvantage to him from governmental activities must be the net gain or loss resulting from his relations with all governments. Therefore, we believe that this Commission should primarily bear in mind the standpoint of Canadian citizenship in any suggested plan of economic or financial realignment. Canadianism should be the determinant in shaping recommendations.

With due deference, moreover, we should like to suggest to this Commission as the Winnipeg Board of Trade has done, that the central standpoint to be maintained in seeking a solution of our present difficulties, should be that of the citizen rather than that of administrative bodies.

THE IDEALS OF THE FATHERS OF CONFEDERATION

"The economic and social progress witnessed since Confederation involves further this basic viewpoint. The inevitable change towards more varied and more complex social and economic conditions has brought about conflict and competition among the various elected governmental bodies of the Canadian citizen in regard to their respective rights and powers. This conflict and competition, moreover, have been motivated by a spirit far removed from that held by the Fathers of Confederation and consequently have operated in many cases to the detriment of the kind of Canadian union envisaged in 1867. We believe that we should now concertedly review and re-emphasize the ideal of Confederation and work towards it by the application of greater centralization and simplification in government.

In order to determine what actually was in the minds of the Fathers of Confederation, we have carefully examined many of the pre-Confederation documents. One cannot but be impressed with the fact that we have seriously departed from the sound principles which they thought they were setting up as the basis for governing Canada.

Certain illuminating statements made in the course of conferences and debates from 1864 to 1867 may be cited as representing the ideals of the Fathers of Confederation. Sir John A. Macdonald stressed the importance of having a strong central government, thereby reversing the conditions in the United States, as he considered a mistake had been made in the Republic to the South by each State retaining sovereign rights. He said:

'We must reverse this process by strengthening the general government and conferring on the provincial bodies such powers as may be required for local purposes... Thus we shall have a strong and lasting government .. and be able to protect the minority by having a powerful central government... With one general government the expense would be very much less ... The expense of the subordinate legislatures will be small... We should concentrate the power in the federal government and not adopt the decentralization of the United States.'

Honourable E. Whelan, Prince Edward Island, said:

'It is desirable that our more provincial character should be lost and that we should form one great country.'

Honourable George Brown, Upper Canada, said:-

'As to local governments, we desire in Upper Canada that they should not be expensive, and should not take up political matters.'

Honourable Charles Tupper, Nova Scotia, said:-

'I agree with general principles laid down by Mr. Brown that the governments should be as simple and inexpensive as possible. We should diminish the powers of the local governments.'

Sir Georges Etienne Cartier, Quebec, said:-

'Les succès que nous avons obtenus ensemble sont dus à ce que nous avons toujours repoussé l'esprit de section, et recherché ce qui pouvait convenir au Canada tout entier. Le pays a prospéré sous l'Union. L'Acte d'Union a mis fin aux douanes, etc., qu'il y avait auparavant entre les deux provinces. Maintenant que nous avons goûté les

fruits de cette union, nous sentons combien il est bon de l'entendre encore et jusqu'à comprendre non seulement avec le Canada-Uni, toutes les provinces atlantiques, mais mêmes les terres britanniques de l'Ouest jusqu'au Pacifique. Cette union, nous l'espérons, sera pour nous, la source d'une prospérité dépassant tout ce que nous avons rêvé.¹

and again:-

'Nous aurons un gouvernement général, décidant les questions d'un intérêt général et commun à toutes les provinces.'¹

We thus see that the Fathers of Confederation very definitely had in mind the consolidating of the country into a strong Federal union, under one strong central government and the reducing of the local or provincial governments to a point where their operations were inexpensive and dealing with purely local matters. With those intentions of the Fathers of Confederation, we agree."

THE ACTING CHAIRMAN: It would be interesting to have the exact date on which some of these words were pronounced, because you say "from 1864 to 1867".

MR. MORGAN: I could give those later.

THE ACTING CHAIRMAN: As a matter of fact, some had to change their minds.

MR. MORGAN: Very good, sir, I think I can give you the quotation.

THE ACTING CHAIRMAN: Thank you.

MR. MORGAN: (Resumes reading)

"Along with the Edmonton Chamber of Commerce we attach a considerable importance to one of the basic conditions of Confederation as tending to

confirm the views expressed above, that is, the vesting in the federal authority of the power of disallowance of provincial legislation, and in the Lieutenant-Governors of the power of reservation of assent. These powers were exercisable not only in relation to legislation that was ultra vires, but they could be used for other reasons as, for example, that the legislation was not considered to be in the best interests of Canada as a whole. This definitely indicates that it was the intention to give to the federal authority the supreme power within Canada, and the maximum of sovereignty that was possible within the concept of Imperial-Dominion relations as of 1867.

As Confederation has been operating over the last few years, the taxation, the laws and the regulations of the various governments, applicable to business, have led in some cases to a positive discrimination that hampers seriously the efficient operation and conduct of business and trade as between the various jurisdictions. The Chamber is convinced that any tendency to put artificial commercial barriers between our different provinces should be checked. Disruptive forces should be discouraged. As Canadians of one province, we should not have to look askance at our fellow Canadians across the provincial boundary lines. If we are Canadians, we should act as if we were a Confederation of the provinces rather than members of independent sovereign states. The free movement of trade from Vancouver to Halifax is the life stream of our economic prosperity, and the future national unity of Canada rests on its uninterrupted flow.

With this main background we shall confine ourselves to stating the considered thought of the

broad business interests represented by the Chamber on the following subjects involving Dominion-Provincial Relations. In view of the wealth of statistics already presented to, or at the command of, this Commission, we have refrained from including statistical analyses in this Brief."

PUBLIC FINANCE.

It is the judgment of the Chamber that the correction of the country's ills hinges in large measure upon the establishment of a sound financial position by all Canadian governing bodies. To this end, a prerequisite of sound public finance is that budgets should be balanced. The prevalence of unbalanced governmental budgets is undermining the prosperity of the country and its citizens. It is not difficult to put one's finger on several causes of these unbalanced budgets and perhaps the most commonly recognized has been the expenditure necessitated by relief for idle employables. In this connection the Chamber was pleased to note the adoption in 1936 of one of its major policies, namely, the appointment of the National Employment Commission. Furthermore, the Chamber concurs in the subsequent findings of that Commission with regard to the administration and financing of unemployment relief and allied services.

Another cause of unbalanced budgets is the fact that Canada has too much government, as evidenced by the number of administrative units, the extent of their services, and the number of elected and appointed representatives and public employees. Each province, for instance, has set up governmental machinery sufficient to run it as an independent country of

infinitely more wealth and greater population. It does not seem essential that we should require some 341 federal and 533 provincial legislators in our ten major governments, nor all the thousands of our elected municipal representatives, nor over 23,000 different school administrations. The direct cost of the legislators and public servants, themselves, is not relatively large and any decrease in numbers would not, per se, yield large savings. The indirect cost, however, arising from this large number of public representatives is enormous, because of their respective demands upon the public purse and because of the increased pressure that can be brought to bear by the electorate for public spending. In this respect it need hardly be pointed out that many expenditures undoubtedly have been made in the past for political considerations without due thought being given to their economic soundness. The Chamber therefore trusts that the Commission will make concrete recommendations leading to a diminution in the number of administrative departments and units and of our elected or selected representatives.

A further cause contributing to unbalanced budgets is the fact that federal, provincial and many municipal administrations have not given sufficient attention to determining their current expenditures according to the old adage of 'cutting your coat according to your cloth'.

THE RAILWAY PROBLEM

Thus far we have been dealing in general with the reasons for unbalanced budgets but there is one specific cause which has contributed substantially

to the unbalanced situation in the budget of the Dominion, viz., the recurring deficits of the Canadian National Railway System, and to this major factor we would draw particular attention. In fact the Chamber has long urged upon the Government of Canada the necessity of taking action to deal effectively with the railway problem. We believe that the continuing burden of the costs of the publicly owned railway remains the chief threat to the stability of federal public finance. We recommend, therefore, that this Commission urge upon the Dominion Government the necessity of taking resolute and constructive action to solve the railway problem and remove the burden now weighing so heavily upon the citizens of Canada.

PUBLIC DEBT

Side by side with unbalanced budgets as a reason for unsound public finance, the Chamber places the structure of our pyramiding debt. In the past few years government deficits have been met by borrowings, which have resulted in substantial increases in the total debt of our governmental units. Despite favourable refunding operations, the total cost of debt services of Canadian governments is still too heavy, and we trust that this Commission will be able to evolve some systematic long-term treatment of the public debt of this country. We recognize, of course, that it may not be possible for governments to balance their respective budgets in each and every year, but this balancing should be possible, averaged over a period of good and bad years. Special efforts should be made to pay off as rapidly as possible, accumulated funded deficits which are created by

emergency conditions of depression years.

TAXATION

The Chamber is not insensitive to the present burden of taxation on business, but realizes that, if governments had met all their current obligations out of revenue, taxation would have been even heavier. What is more, the Chamber believes that Canadian business enterprise is unnecessarily hampered by such factors as (a) a want of tax uniformity and coordination, (b) discriminatory taxes and (c) tax regulations generally.

CORPORATION TAX ON INCOME. Overlapping in taxation occurs in levies on corporations, and exists ~~at~~ between the Dominion and provinces and as between the provinces themselves or their municipalities. The hardship to corporate business from this situation has been amply demonstrated to the Commission and its burden is increased by the fact that as a rule, the profits tax paid to one government is not allowed as a deduction or expense when another government taxes the same profits. To avoid this duplicating taxation and to eliminate the need for corporations to file a multiplicity of returns based on varying calculation the Chamber recommends that the power of imposing a corporation tax on profits should be vested solely in the Dominion, notwithstanding any division of revenue from this tax that may be made among the provinces.

PERSONAL INCOME TAX. As many as three classes of governments are now imposing taxes on the income of individuals. In our opinion, the costs of collection could be reduced, efficiency of administration increased, and confusion to the taxpayer eliminated,

by giving to the Dominion the sole right of levying and collecting taxes on personal income, regardless of any allocation of such revenues that may be determined. The Chamber believes, further, that the individual's interest in good government increases in proportion to his tax-consciousness and that, therefore, the basis of the present federal income tax could advisably be broadened by the lowering of income tax exemptions. In regard to the desirability of making the citizen more tax conscious, the Chamber favours the general principle of raising governmental revenue by direct visible taxes rather than by invisible means.

TAX ON CAPITAL OF CORPORATIONS. Six provinces now impose tax levies on the paid-up capital of corporations. In some provinces a company's entire capital is taxed notwithstanding that only part of the capital is employed in the province. Because of the duplication of this tax and because it bears no relation to earning power, the Chamber believes that this tax on capital should be abolished. Business should be subjected rather to the imposition of a licence fee, nominal in amount, and paid in return for the exercise of corporate rights.

SUCCESSION DUTIES. No uniform or coordinated policy is now followed by the various provinces in imposing succession duties. All provinces follow the principle that the province where the deceased was domiciled is entitled to levy a succession duty, but also claim the right to collect a succession duty on securities locally situate within the province or transferable within the province even though the deceased was domiciled in another province at the time of death. The Chamber believes that the provinces

should have reciprocal agreements whereby duplicate taxing of estates would be avoided, and that they should agree upon the principle that the province of domicile alone should collect all the succession duty on an estate, except in regard to real estate which should be taxed for succession duty purposes by the province in which it is situate and by that province alone.

REAL ESTATE TAXES. At the time of Confederation, wealth was represented mainly by land, and consequently the chief source of taxation was real estate. Times have changed, however, and wealth has come to exist in many forms. In more recent years, also, municipalities have had to bear a new financial responsibility in respect of social and welfare services which was not contemplated when their taxing powers were granted. The burden of these new services has fallen upon real estate to such an extent that the result has seriously affected the tendency of Canadians to own their own homes, retarded the construction industry, and undermined the value of investment in real property.

It is scarcely necessary to emphasize the benefit of a proper adjustment of the real estate tax -- the building industry would be revived and unemployment relieved, and indirectly a lower tax on real estate might bring in a higher revenue. The Chamber believes that the tax burden on real estate should be lightened, and particularly so if these detrimental conditions are to be remedied. To compensate the municipalities for the resultant loss in revenue, the Chamber affirms again its endorsement of the Report of the National Employment Commission wherein it is recommended that unemployment relief be made a responsibility of the Dominion. The municipalities might also be relieved,

for example, of a part of their present financial responsibility for secondary education. Any loss in real estate revenue does not necessarily have to be offset by increased taxes elsewhere, as a coordination of governmental services throughout the country, together with the solving of such national problems as the Railways and Relief, would automatically lessen the need of the present demand for taxation revenue.

In addition to the actual burden of real estate taxes, the present form of such taxation runs contrary to the generally accepted principle of ability to pay in that assessments are based in most cases on capital values without regard to rental income. The Chamber believes that the tax on real estate should bear some relation to earning power.

Moreover, in the interests of making the lessee of real estate more tax-conscious, the Chamber believes that it would be desirable for the tenant to pay directly some portion of the taxation on the real property that he is using.

The present system of exempting from real estate taxes, property owned by the provincial or federal governments or commercial enterprises operated by them appears generally to the Chamber to be unsound.

UNIFORM REGULATIONS AND RETURNS. The Dominion and each of the provinces require business to submit returns containing information upon which taxes are assessed. There is little uniformity in the data required, with the result that separate accounting operations must be carried out, and to some extent separate records kept, for each taxing

jurisdiction, at considerable cost to business. Moreover, governmental fiscal periods vary, regulations for determining the amount taxable are not the same, and statutory conditions determining the liability for tax are also far from uniform. All these factors add unnecessary expense and effort to both governments and taxpayers; the lack of uniformity is of no advantage to anybody and has nothing to recommend it. Accordingly, the Chamber believes that there should be a greater simplification, uniformity and centralization of governmental returns, tax regulations and collections.

BUSINESS BARRIERS. Coupled with the above unnecessary costs of, and obstacles to, doing business in several jurisdictions there has been evidenced, on the part of some provincial governments, the will to enact legislation which discriminates against extra-provincial business. Examples of such legislation have been laid before this Commission.

Attempts have been made to obtain for the provinces, the constitutional right of imposing indirect taxes, which, if secured, could be used generally for the purpose of discrimination against business originating in other jurisdictions. Under these circumstances a protective wall, tantamount to a tariff, could be raised between the provinces, resulting in inter-provincial retaliation and reprisals and in the impairment of national unity. The Chamber believes that such barriers should not be permitted and that the right of imposing indirect taxes should remain with the Dominion alone."

"Economy and efficiency in public expenditures are two of the essential elements of those conditions that create general prosperity and therefore will naturally be a matter of searching enquiry by this Commission. Abundant evidence has been produced before you to show that expenditures of some governmental units due to an increase in services, have long been exceeding the amount of available revenue. Consequently, a re-allocation in the administration of certain public services in the interests of both efficiency and economy, is overdue. These factors, along with the country's ability to pay and the necessity for any given service, should govern the realignments to be made in the respective responsibilities of the various governmental units for public services. Obviously any trend toward centralized administration consistent with the adequacy of the re-allocated services, will reduce administrative costs through eliminating duplication as between the Dominion and the provinces. When it comes to pointing directly to possible economies, the Chamber believes that without full access to the internal operations of governments, no individual or group should presume to make definite recommendations for particular economies. Nevertheless, the present administration of certain Dominion and provincial services has been reviewed by the Chamber and the following general comments are made with respect to their re-allocation.

Companies' Acts. The Chamber believes that the placing of the control and regulation of all companies under Dominion jurisdiction would be the ideal system but realizes that the required changes from the

"present arrangement would encounter many difficulties. The progress made to date by the provinces and the Dominion towards agreement on a uniform Companies' Act deserves due recognition and the Chamber believes that this desirable objective should be reached as quickly as possible.

Security Frauds Prevention should be a matter for Dominion jurisdiction and the advantages to be obtained from a single administration of these regulatory measures are obvious.

Insurance. Jurisdiction in insurance matters has already been dealt with exhaustively before this Commission by various interested organizations and officials, and the Chamber endorses the view of the Canadian Life Insurance Officers Association and the All Canada Insurance Federation that, except for control over the licensing of agents and insurance contracts, insurance should be exclusively a federal matter."

THE ACTING CHAIRMAN: Some of the provincial governments told us that they would accept that and some of the others would not.

MR. MORGAN: Thank you, sir.

Continuing to quote from the brief:

"Labour Regulations and Old Age Pensions should be exclusively a matter for federal jurisdiction.

"The suggestion has been made to this Commission by numerous organizations that there should be established a Loan Council to supervise all borrowings of those provinces which are obliged to lean upon the federal government for financial support. The

"Chamber endorses this suggestion and recognizes the advantages to be derived thereby in the lower rate of interest at which a province receiving the approval of the Council could borrow, as well as in the resulting sounder financial positions of the provinces concerned. The functions of such a Council would involve the giving of its approbation to provincial borrowings rather than the extending of a federal guarantee.

Under an ideal arrangement each government should be able to perform its necessary services with the funds at its disposal without the help of subsidies from the federal government. Nevertheless, it is impossible to forecast accurately increases or decreases in the tax sources or in the economy of the various governments. This fact has been amply proved by the experience of the last seventy years when some 19 changes have been made in the statutory financial assistance given by the Dominion to the provinces. It appears advisable, therefore, that any readjusted scheme of provincial revenues and expenditures should include some provision for assisting by subsidised those governments, the revenues of which may become insufficient to meet their changing requirements of expenditures. The Chamber, therefore, concurs in the proposal, which has been made to this Commission that a Grants Commission should be established in Canada. Unless this present Commission determines the amount, if any, of subsidies required by the various provinces, then the immediate function of the proposed Grants body should be to effect this

"determination. Its permanent function should be to determine at regular intervals, the needs of any provincial government, which applies to it for increased assistance."

THE ACTING CHAIRMAN: Mr. Morgan, did you have in mind the giving of conditional grants or unconditional grants?

MR. MORGAN: Conditional grants, sir.

THE ACTING CHAIRMAN: Those would be limited to some special, well-defined purpose, would they?

MR. MORGAN: Yes, that is right

Continuing to quote:

"Uniform Accounting. The Chamber believes provincial fiscal periods and accounting systems should be brought into uniformity in order that statistics of revenue, expenditure and debt may be more readily interpreted by, and made more comprehensible to the average citizen. One important factor in the average Canadian's indifference to governmental financial activities is the extreme difficulty involved in readily obtaining any actual comparable understanding of governmental financial operations.

Municipal Finances. The Chamber believes that the provinces should exercise effective control and supervision where not already existing,

over the issue of municipal securities and both the provinces and municipalities should, so far as it is possible, cease the funding of expenditures, such as relief, which do not add to capital assets.

Immigration. As a means of increasing the number of tax-paying citizens and of making a fuller

"use of existing governmental services, the Chamber draws to the attention of this Commission the desirability of the Federal Government inaugurating a policy of restrictive and selective immigration. The Chamber also believes that the economic situation permits of the absorption of a reasonable number of immigrants, preferably of British Stock, without detriment to the employment opportunities available to native Canadians. In fact, renewed immigration should increase the number of taxpaying citizens, thereby bringing more revenues to governments and should add to the national wealth and general prosperity.

In recapitulating the substance of the recommendations embodied in the foregoing pages, the Chamber feels that it cannot lay too much emphasis on its fundamental point of view that all the problems with which this Commission has to deal must be approached from a broad national outlook. The Chamber takes this attitude because it believes that the voice of sectionalism is not the voice of the Canadian people, and that the average citizens feels that he is primarily a Canadian citizen.

Believing then that the real outlook of the people of this country is national and not parochial or provincial, the Chamber is recommending the following main points for consideration of this Commission:

1. Removing and preventing sectional barriers to business.
2. Balancing of governmental budgets by:
 - (a) Solving the railroad problem.
 - (b) Making relief entirely a federal matter.

- "(c) Arresting the increase in public debt.
- (d) Coordinating public services.
- (e) Reducing the number of :
 - (i) elected representatives
 - (ii) local administrations.
- 3. Collecting personal and corporation income taxes by the Dominion.
- 4. Abolishing corporation capital taxes.
- 5. Unifying and simplifying the collection of Succession Duties.
- 6. Reducing real estate taxes.
- 7. Unifying and simplifying Governmental Returns.
- 8. Giving the Dominion jurisdiction over:
 - (a) Insurance
 - (b) Security Frauds Prevention.
 - (c) Labour Regulations.
 - (d) "Old Age Pensions."

THE ACTING CHAIRMAN: Mr. Morgan, could you develop this old age pension recommendation a little further? You say that it would be better if it were administered by Ottawa.

MR. MORGAN: Yes, that is what we say.

THE ACTING CHAIRMAN: Why do you say that?

MR. MORGAN: We say that because we believe that it is a federal matter. We believe old age is uniform throughout the country and, therefore, should be administered, not as a sectional proposition. We believe in the very important theory that a person is a Canadian, no matter in what province that person may live or in what part of a province that person may live. There should be a uniform law in respect of old age pensions and it should not be a matter which is provincial or parochial.

THE ACTING CHAIRMAN: Do you think the administration would be more effective if the plan were administered from Ottawa?

MR. MORGAN: Yes, we do.

Continuing to quote:

- "9. Making Provincial Companies' Acts uniform.
- 10. Supervising the borrowings of provinces obliged to lean on the Dominion for financial support by means of a Loan Council.
- 11. Determining subsidies by a Grants Commission.
- 12. Setting up uniform accounting systems and fiscal periods on the part of the provinces.
- 13. Making provincial control over municipal borrowing more strict.
- 14. Encouraging selected immigration.

It is only by renewing and re-emphasizing the ideals expressed by the Fathers of Confederation that the people of Canada can continue to maintain their destined national existence. It is only by maintaining a national unity without sectional discrimination that the prosperity of Canada may be expected to endure.

Respectfully submitted,
 HENRY W. MORGAN,
 Chairman of the Executive.
 W. McL. CLARKE,
 Secretary."

THE ACTING CHAIRMAN: We must thank you, Mr. Morgan, and all of those associated with you in the presentation of this submission. You seem to trust our commission rather far, and it is a rather large order which you have given to

us. However, we will do our best with it.

MR. MORGAN: We appreciate that, Mr. Chairman.

On the other hand, the Chamber of Commerce embodies so many business organizations from coast to coast that our interests have to be in a broad sense.

THE ACTING CHAIRMAN: We have heard many of those recommendations which you have made before.

MR. MORGAN: Yes, I know, you have.

THE ACTING CHAIRMAN: Will you kindly give us those references we asked for at the first of your presentation?

MR. MORGAN: Yes, Mr. Chairman; that is in respect to those Quotations?

THE ACTING CHAIRMAN: Yes, the Quotations.

MR. MORGAN: The first four quotations Mr. Chairman, are from the debates at the Quebec Conference in 1836.

COMMISSIONER DAFOE: Where are they found? There was no Hansard at the time of those discussions. There are some papers published by Mr. Pope.

MR. MORGAN: They are speeches which were made during that time, and I think I can get you the reference, sir.

COMMISSIONER DAFOE: There is an extremely important observation by Sir John MacDonald there, that the way to protect minorities is to have a very powerful central government. This might throw some illumination on the questions under discussion at the moment.

MR. MORGAN: I know some of those speeches were taken from the various copies of the addresses which are available to us to-day. There was a certain amount of research made into this question, but I do not know whether I can give you the exact reference.

COMMISSIONER DAFOE: They were no published reports, you know.

MR. MORGAN: The speech of Sir John A. MacDonald, to which I referred, was delivered on Tuesday, October 11, 1864.

COMMISSIONER DAFOE: I wonder who is responsible for the reporting of that?

MR. MORGAN: I do not think I can answer that, Mr. Dafoe. I might be able to go further back, but I am not sure of that.

COMMISSIONER DAFOE: The only two documents, so far as I know, which report what took place during the Quebec Conference are, a memorandum that Mr. Pope published and another memorandum written by Mr. A. A. MacDonald, who was the representative of Prince Edward Island at that Conference. If you could get those references, I would be very glad to have them.

MR. MORGAN: I will be very glad to give them to you if I can. The other quotation of Sir George Cartier, was made during the course of speeches in reply to an address of welcome presented to him on his return from England in May of 1867. The first quotation which I gave is from an article which appeared in one of the magazines which come to us. Therefore, we would have to go behind that and find out where it came from from the editor.

COMMISSIONER DAFOE: I have never seen that quotation before, and I am extremely interested in finding out whether it is authentic or not.

MR. MORGAN: We will try to obtain that information, sir.

COMMISSIONER DAFOE: Your Chamber has not made any

definite recommendation as to what will be done or what the Dominion would do with the income tax if it collected the personal and corporational income tax exclusively. Have you any suggestion as to the distribution that should take place, if distribution should take place?

MR. MORGAN: We do not say that distribution should not take place after it is collected, but for the purpose of eliminating different duplication, and so on, and in order to maintain efficient machinery for the collection, we recommend the use of the federal government machinery. A redistribution of part of the amount collected to the provinces, could quite reasonably be managed. However, in the first instance, it should be collected by the federal government.

COMMISSIONER DAFOE: You make reference here to the tax variance between the provinces. We have had, some instances of that given us in some of the briefs. I do not recall whether the submission by the local chambers of Commerce have covered that field. I think the submission we received on that point was received from other business organizations.

MR. MORGAN: I think the Toronto Board of Trade did cover that point. I would like to quote two or three instances of it which I have in mind and which are at distinct variance. The first is that the province of New Brunswick levies a special tax on gross retail sales in the province on the firms whose ownership is located outside and on the firms located inside who bring goods from outside jurisdictions for re-sale by retail. The taxation is a substantial amount and is upon non-competing domestic goods. Then, the province of

Quebec requires a corporation developing the natural resources of that province to be incorporated under a Quebec charter. This results in the compliance with a great many different regulations. The province of British Columbia imposes a tax on fuel oil which is imported, but does not tax coal which is produced domestically. There are numerous examples of that situation, of which I am sure you are aware.

COMMISSIONER DAFOE: You have not, in your record, a complete list?

MR. MORGAN: No, we have not attempted to give a complete list, Mr. Dafoe, but we wanted to stress that those things do occur and give you a few examples.

COMMISSIONER ANGUS: Would you include under that heading, labour legislation which might result in discrimination, that is to say, a province with a lower standard might be underselling a province with more exacting regulations.

MR. MORGAN: I do not know that I would be prepared to go that far, nor do I know whether I would have the right to go that far, at the moment. Our Chamber of Commerce represents so many business organizations from province to province, that it is difficult for me to give a specific answer. Our remarks are based upon the results of direct questions which we have asked our boards of trade, and the answers given to them. It is for that reason our submission has its strength, we are giving you, specifically, the opinion of these representative boards.

COMMISSIONER ANGUS: I notice you do say labour regulations should be under Dominion jurisdiction.

MR. MORGAN: Yes, that is correct.

COMMISSIONER ANGUS: That remark would probably apply to this, but would it be possible to say that a subsidy to industry in one province to secure its location in that province, constituted unfair competition?

MR. MORGAN: Yes, very definitely.

COMMISSIONER ANGUS: Then, one other thing, the market regulations of a province may fix a price within that province, the effect of which is to create a surplus which has to be sold outside the province and which can be sold considerably cheaper.

MR. MORGAN: That is, dumping goods.

COMMISSIONER ANGUS: Yes, dumping might result from the limited jurisdiction of the province in respect to markets.

MR. MORGAN: Yes, that is correct. I am glad you raised that point because it is exactly what we are trying to emphasize. We want to emphasize that Canada is one country, not a series of small entities.

COMMISSIONER ANGUS: In relation to the income tax, you speak of the Dominion levying it, would that mean that the Dominion fixed the rate in every case?

MR. MORGAN: Yes, it would.

COMMISSIONER ANGUS: And it would be a uniform rate, would it?

MR. MORGAN: Yes, naturally, because, again we feel we are citizens of one country.

COMMISSIONER ANGUS: Yes, that is true, but in the different provinces, at the present time, there are actual differences. Some of the provinces have a stiff income tax and others have none at all.

MR. MORGAN: That would be a matter for the federal government to reallocate the revenue to the various provinces

concerned as to the proportion each province should have.

COMMISSIONER ANGUS: That would be in the operation of the subsidy scheme, would it?

MR. MORGAN: Yes, that is correct.

COMMISSIONER ANGUS: That brings me to the next point; in answer to Dr. Sirois, you spoke of the subsidies as being conditional, if they were to be given. The effect of that might be, if one took it literally, that a province would be losing its unconditional revenue which it received from the income tax, or at least, would be losing a large part of it.

MR. MORGAN: We feel that could be dealt with more effectively by the Grants Commission which would be a commission along the lines of the Australian Grants Commission.

COMMISSIONER ANGUS: In following that up, the grants given by the Australian Grants Commission are what we should call unconditional. Once the amount of the grant is fixed by the Commission to the particular state, the state is free to use it for roads, social services, or anything which it likes. One ordinarily contrasts that type of grant which leaves the state or province free to decide where the money is most needed, to the sort of subsidy which is given for technical education or the control of venereal disease. In the latter type of grant there is a very definite provision that the money must be spent in a particular way and, sometimes, the province must match the amount. Now, I wonder if you really appreciated the full difference, when you answered Dr. Sirois' question and do you still say the subsidy should be conditional?

MR. MORGAN: I do not know that I appreciated the

difference, that point is well taken. An unconditional grant might very well be an allocation to the provinces according to their needs, and each province could use it to the best advantage.

COMMISSIONER DAFOE: You are, I judge, convinced from the statement which you have made and, I suppose the majority opinion in the chambers across Canada supports the recommendation of the Unemployment Commission, which virtually puts the entire burden of looking after the unemployed who are employable upon the Dominion government.

MR. MORGAN: That is correct, Mr. Dafoe.

COMMISSIONER DAFOE: This question has been given consideration and that is your considered opinion, is that it?

MR. MORGAN: It is the considered opinion of the various Boards of Trade and business organizations which make up our membership, that is, in relation to relief.

COMMISSIONER DAFOE: They virtually put the burden of looking after the unemployed on the Dominion government?

MR. MORGAN: That is correct, sir. The reason is, of course, if it were under the Dominion government, it would have the advantage of being able to transfer the unemployed to the centres which ~~did~~ not have employables. At the present time, there is actually a barrier existing between the different centres. The unemployed man cannot seek work outside the area wherein he resides. If it were under federal control, the commission would be able to transfer people from one part of the Dominion to another, as the need for employment arose in the different areas. It is done in this manner in Great Britain. We admit that there would be difficulty in this country because

of its size. We also admit that the commission is going to take cognizance of its size in considering the general problem and would not send a man from Halifax to Vancouver. It would be more along the lines of sending a man from Victoria to Vancouver.

COMMISSIONER DAFOE: You are not in agreement, then, with the representations that have been made from many quarters to us, that the administration by local elected bodies or by bodies appointed by locally elected bodies, would be more economical and efficient in the administration of unemployment relief?

MR. MORGAN: You would have to have a body such as the National Commission directing the situation as a whole and undoubtedly you would have to have local administration with the Commission acting in an advisory capacity.

COMMISSIONER DAFOE: Would that advice come from the elected bodies in the municipalities or from the boards which would be created? There is a theory that it is very unsafe to have one elected body administering money which is collected by another elected body because it removes the question of responsibility. I was just wondering whether your idea would be that the Dominion would administer unemployment relief throughout Canada and that it would create ad hoc local bodies which would not be subject to local political pressure?

MR. MORGAN: That would be one advantage which it would have under Dominion control. It would take it out of politics; there is too much politics mixed up in it at the present time.

COMMISSIONER DAFOE: This is an important recommendation, as we are a national body and this is one of the questions

which is becoming very active.

MR. MORGAN: Yes, that is true.

THE ACTING CHAIRMAN: Have you any questions which you would like to ask, Mr. Stewart?

MR. STEWART: I have a few questions to ask.

BY MR. STEWART of MR. MORGAN

Q. Mr. Morgan, do you think the removal of the administration from the hands of the local bodies to the Dominion, removes the objectionable political elements?

A. I think it does. Having one body in control of the unemployment situation throughout the Dominion would put that body in a position to survey the situation and deal with it as it really exists, rather than having it carried on by a number of small local bodies, subject to local difficulties and prejudices which develop.

Q. Do you not think that the total amount paid would be less, if the municipalities were called upon to bear a share of the cost? A. I have no doubt that might be true. I think what we are trying to recommend most is the saving of money and the taking of it out of politics in order to render the service as efficient as possible.

Q. Now, under the heading of "public finance and economy", there is the suggestion that a prerequisite of sound public finance is that the budgets should be balanced?

A. That is correct.

Q. This can be brought about in two ways, either by an increase in revenues or by a decrease of expenditure. Did your chamber have in mind either horn of the dilemma in making this recommendation? A. We would be glad to have both methods used. It would have to be through the use of both methods. It was one of the definite

questions which we asked our member boards. We are, of course, anxious to have a substantial decrease in expenditure within the bounds of efficiency. We believe that the railway problem, is a very, very important one and wherever expenditure is made unnecessarily, when a saving might be made, through a more effective handling of the railway situation, this would in turn, save the country and the taxpayer a considerable amount of money.

Q. That, of course, would only apply to the Dominion, would it not? A. Yes, that is true.

Q. When you made this suggestion, were there any particular services which you thought should be changed or reduced?

A. Of course, the employment situation is an important one. If we took away from the municipalities the necessity for taxing for unemployment and made it a federal matter, I think it would be a definite advantage to the people.

Q. But you take a province like New Brunswick; I think it is not making any direct contribution towards relief, yet it has been unable to balance its budget, in spite of this fact. A. The balancing of a budget is something at which we must aim. We realize that budgets cannot be balanced every year. However, we do feel that this use of long term financing and the piling up of public debts is reaching the stage where it will put us in bankruptcy.

Q. But the Commission must get down to details, a detailed examination of that situation? A. Well, it is quite true then, that there is overlapping of services. I think I can take a number of public services; the school boards for example.

Q. The Commission will be most interested to hear details of overlapping. That is one of the most elusive things the Commission has been tracking? A. That is a question that is hard to answer without the information or the opportunity to investigate that situation from the accountant's point of view, of the internal arrangements of the Government, and we are not in a position to answer just where that occurs.

Q. I think it is only fair to say that although the Commission has had a great deal of information available to it, Mr. Morgan, specific instances of serious overlapping are pretty hard to find, although the opinion seems to be prevalent among the public that it exists. We would like very much to get specific instances of it? A. In school boards, as an example, in British Columbia there are seventeen towns and villages and twenty-eight other rural municipalities, and 827 school boards in a total of 905. Rather than read out the details of it I can give it to you. From our information that goes on to Ontario, where they have 6600 school boards, Quebec has 1800, Manitoba has 4892 school boards.

Q. Do you think the number of school boards affects the cost of administration? A. It does to a degree. I raise the point of school boards because there are so many, but we must take into consideration that a number of school boards at any rate are administered without cost.

Q. A great majority of them are? A. We appreciate that, yes. Then on the other hand take mines and resources, the Dominion has a department and so has British Columbia,

so has Alberta, and Saskatchewan, Manitoba, Ontario, and Quebec; and New Brunswick, Nova Scotia and Prince Edward Island have not.

Q. You are mistaken there, Mr. Morgan, in Nova Scotia it is the Department of Public Works and Mines? A. It is under Public Works and Mines, yes.

Q. It is almost entirely a Mines Department? A. I am sure you are correct.

Q. I was going to draw your attention to that later on.

THE ACTING CHAIRMAN: All these people claim there is absolutely no overlapping, in all provinces?

MR. MORGAN: I quite appreciate that, Dr. Sirois, and as I say, that is a question which I would not like to follow too far because it is impossible for the Chamber to get the information to give you full details. I am sure you are in a far better position than we are to say whether there is overlapping or not. Our member boards and individuals felt there was; we make that statement but we also state that we realize without investigation and the opportunity of investigating this thing we are not in a position to go too far.

BY MR. STEWART: Q. Going back again to the heading "Public Finance", were there any lines of expenditure apart from the diversity of government administration that you would suggest should be abandoned by either the provinces or the Dominion, - any lines of activity? A. Well, the reason we put that in was in respect to the co-ordination of those various services, and particularly the matter of relief is what brought that out, and which we were referring to.

Q. Turning for a moment to the railway situation, have you a specific suggestion as to the resolute and constructive action which should be taken to solve the railway problem?

A. You are asking a pretty difficult question. We naturally

have many thoughts on the matter but I do not think, on behalf of the Chamber of Commerce, we are prepared at the present time to definitely recommend something because we have not the authority from our member boards as to a specific remedy. We are all in accord that this situation of the railways and duplication of services and so on should be remedied. How that remedy should occur I do not believe we are in a position to say because it has such tremendous ramifications.

Q. Would it be fair to say that the attitude of your Board is that any solution that was arrived at would have to be arrived at with the consent of the people of Canada as a whole?

A. Being a democratic country, I am sure that is so. But after all, what we want is leadership in a democratic country, as well as simply feeling what might be the popular trend of the times. In other words, I think it is quite possible in questions such as the railway or any of these things, for the government to take a definite stand and you would find the people only too glad to follow that definite leadership. Whereas if the thing is allowed to simmer as it has, we know the situation is bad, we see it in our taxes every year and every month, and we believe that a strong stand on the part of the government, for a solution which can be made - we contend the solution offered by the Duff Report some years ago supplies the solution that we require, and what the Canadian people are looking for.

Q. Would it be your view or the view of your Board that the railway has played an important part, and is playing an important part, in bringing about National Unity in Canada?

A. Definitely. We all know what the railways have done for Canada, but that is no reason why the people of Canada should not demand and expect their railways to be run with the most efficiency for the returns involved.

Q. I was wondering whether your Board had considered that possibly the canals of Canada were somewhat analogous to the railway situation, the only difference being that the cost of the canals does not stick out the way the cost of the railways does?

A. We must bear in mind the canals were built many years ago, and the Canadian National Railways, with their ramifications of hotels, steamships, and so on, is very much before the Canadian taxpayer's mind, where he sees expensive and luxurious liners bought and put on certain services, which services have already been adequately covered, and in due time the boats are sold, - they are laid up for some months and then sold. We see hotels going up in what we, as taxpayers, believe an extravagant way. We see them put up where there are hotels already existing, to meet the travelling needs of the public. We believe there is extravagance of a very major amount and we, the public, are paying for it and we do not like to see it.

Q. Still, the hotel situation is a very small part of the total railway system, is it not?

A. Granted that, we see the information, of course, which is coming out in the Senate Inquiry every day. We follow that with a great deal of interest. I think the Canadian public are aroused over this railway situation.

Q. Just again paralleling the railway situation with the canal situation has there not been a very considerable amount spent on canals in the past twenty years?

A. Yes, the Welland Canal undoubtedly, and the canals do play their part in a very material way in the prosperity of Canada, but we are looking at the situation from the standpoint of, is it necessary or is it not necessary to have duplication in railways? And we contend that we should get the same service and the same accommodation for a great deal less money by a different method of administering the railway system.

Q. Coming to the collection of personal income taxes, your suggestion is that the costs of collection could be reduced and the efficiency of administration increased and the confusion of the taxpayer eliminated by giving the Dominion the sole right of levying and collecting. A very definite view to the contrary was expressed by the Commissioner of Income Tax in British Columbia, who submitted figures that were specific at any rate, and rather convincing, that his cost of collection was less than the Dominion cost of collection?

A. That is not what our members across Canada generally feel. As a matter of fact, we have with us Mr. Jellett, who is general manager of the Royal Trust Company, and perhaps he would like to elaborate on that.

MR. R. P. JELLETT: I would think perhaps a fair observation would be that while the British Columbia costs might be lower in percentage than the Dominion, that it is a surplus to the Dominion, - that the Dominion, with its local offices for various other purposes could, in British Columbia, collect that tax and save that British Columbia cost, even though it is a low percentage. I do not know whether I have made that clear, but it is a surplus tax, - a surplus cost.

Q. It has been suggested, Mr. Jellett, that the Dominion can collect the provincial income tax provided that the definition of income is the same, - that if the definition of income tax varies, unified collection becomes very difficult. Have you any particular view as to that?

A. No, I think it could still be done, but it would be more difficult. You still have the difficulty of collection, you have to collect under two acts instead of one.

Q. Would not efficiency, and economy in your opinion be achieved if the Dominion collected as agent for the provinces, without the Dominion collecting a single income tax?

A. I do not think that would perhaps achieve quite the whole

object but it would be a good step. It is very difficult for us to speak without going back and seeing what authority we hold from these Boards all over the country, and we must, at times, express a personal opinion. With respect to the question which was asked before, that we say the Dominion might collect all the Succession or income taxes, then the question as to how shall it be distributed arises. Sometimes they say per capita. Well, that is an entirely new principle, it might have merits. But if they step in and take the place of the province in collecting Succession Duty and income tax in the interim at least they should distribute that tax very much as it is to-day for the benefit of the provinces now collecting it.

COMMISSIONER ANGUS: If I might interrupt, Mr. Stewart, in respect to the question of income tax, does what has been said apply to the 1% income tax that exists in one or two provinces?

MR. JELLETT: That is something like the Manitoba and British Columbia tax?

COMMISSIONER ANGUS: Yes. It is normally collected at the source of the wage payments.

MR. JELLETT: My offhand opinion is that might continue to be collected by the province. We are getting the Dominion in too deeply when you get them collecting taxes of a purely local character; I think they would be stepping into too much of a local situation. That is my personal opinion.

THE ACTING CHAIRMAN: Mr. Stewart, do you intend to put questions to Mr. Jellett on the Succession Duties?

MR. STEWART: I had no questions to ask specifically on that point.

THE ACTING CHAIRMAN: Mr. Jellett, on page 5, Succession Duties, the question has been developed before this Board, and we find it interesting.

MR. JELLETT: The judgments of the courts are extraordinarily confusing. We go and get a decision, as in the Austin case or the Ivey case, and the question appears to be clarified, and we are told that the factor of the shares being transferable, - a man lives in the Province of Ontario, for instance, and he has Bell Telephone Stock or other stocks outside his province, in many decisions they say if those people maintain transfer offices in Ontario the province of his domicile where he may have effectively transferred those shares without any reference back to head office, then Quebec has no claim to Succession Duty. We got that far, and there was a new judgment by another Judge, Judge Fortin, I think, where he said in spite of the transferability of these shares outside the province of Quebec that unless the Certificates that that man held happened to be issued on the Registry in Ontario, - unless that is the case then they are taxable in Quebec. Put it this way, he had shares in a Quebec Corporation, before he arranged an Ontario transfer of the shares, - and naturally his Certificates were issued at Montreal, - and that Corporation establishes a perfectly good transfer office in Ontario and it makes the Certificates issued on their registry interchangeable, you can transfer an Ontario Certificate in Quebec, and vice versa. But that man never thinks that he ought to take the Certificates which he has had for years into the Toronto transfer office and get them cancelled, that that makes any real difference in his tax; but it does, under that judgment. So that your question about the situation is so complicated that it is almost impossible to say what constitutes taxability. We say in a very short form that we believe that the taxation should rest almost entirely within the province where the man dies domiciled. If he is a Quebecer and he lives in Quebec, and makes his money there, and if he happens to buy shares in

the open market, perhaps some in Ontario concerns, the tax should be collected where he lives, except for real estate, which we, of course, exempt. It is too complicated a question, I do not want to go on because the more I tell you the more involved it becomes. The decisions are very complicated.

COMMISSIONER DAFOE: Have you any grounds for believing that the provinces will ever agree to reasonable reciprocal arrangements?

MR. JELLETT: Well, we have come so close to it at different times, we have been right on the threshold of it in Ontario and Quebec. We have had the Premiers get together, and have met them, then it has been left in the hands of officials and some officials have started to talk local laws and so on, and it is blocked.

COMMISSIONER DAFOE: Does not Quebec realize if it persists in its course that people throughout Canada will take good care not to buy any shares in Quebec?

MR. JELLETT: I think that is really the chief point in our measure, that it becomes necessary in our literature we strongly recommend that testators should so arrange their investments that they will fall only within one taxing authority. But when you get to that you really have a restriction of interprovincial finance, if not of trade, and you are saying quite openly the only thing to do is readjust your investments and get them in one province.

COMMISSIONER DAFOE: Of course, it tends to prevent capital being invested in provinces where there may be exceptional opportunities for investment.

MR. JELLETT: It accentuates, in a sense, the position of wealth within the wealthier provinces, → they have the best field. If you are going to invest your capital in a province it has to be a province that provides ample means for

investment, and you cannot say that for those other provinces, they are limited.

COMMISSIONER DAFOE: I think, at the most it is a denationalizing process, that a Canadian cannot invest capital anywhere in Canada without putting himself at the mercy of two or three Governments.

MR. JELLETT: It is sectionalism in rather an extreme form.

THE ACTING CHAIRMAN: The Chamber of Commerce is of the opinion that the province of domicile alone should collect on Succession Duty on an Estate except on real estate. But you are of the opinion that the Federal Government should handle the Succession Duty Act?

MR. JELLETT: I think we recommend that.

THE ACTING CHAIRMAN: On page 9 you say "Unifying and simplifying the collection of Succession Duties", and on page 6, "The province of domicile alone should collect all the succession duty on an estate, except in regard to real estate which should be taxed for succession duty purposes by the province in which it is situate and by that province alone".

MR. JELLETT: Well, I think what we say there, Sir, would mean that it would apply if the Dominion collected it, when we say "The province of domicile alone should collect the tax" we would go further and say "But if the Dominion collected the whole thing it should be on the principle of distribution". That would be the application, it is not meant to preclude the fact that the Dominion might collect. That would solve the problem, it would be paid to the province of domicile in everything except real estate.

THE ACTING CHAIRMAN: Do you not think it would be easier to get the provinces to agree to make an arrangement than to consent that the Act should become a Federal Act?

MR. JELLETT: I think it is Utopian to believe that they can come to that. It is too local a matter, there are civil rights, and I think we have to face the fact that it is going to stay provincial.

BY MR. STEWART: Q. On page 4, Mr. Morgan, the first whole paragraph on that page, you deal with the suggestion that Canada has too much government. Have you any concrete suggestions as to the reduction in governmental bodies or the size of the legislatures? A. We know for a fact that we have these ten governments. We have no right or voice to say that our membership is unanimous in recommending a reduction in the provinces or anything of that sort, we know the political and local pride that enters into this situation, and we cannot go into that. But it is quite possible something might be done in the reduction of the number of counties within a province, and that sort of thing.

Q. I think you have already mentioned school boards? A. Yes.

Q. Have you any suggestion as to the number of members of the legislatures? A. We feel that there are too many and that it does not require the number that we already have in the various provinces to administer efficiently the affairs of those provinces. We have the situation in the Province of Quebec - I do not like to keep on citing the Province of Quebec, but we happen to know it better than the others - the fact we have the Upper House as well as the Lower House. The other provinces have been able to administer the affairs of their provinces satisfactorily without those extra members. It is not the cost of remuneration to the extra members that is the danger point, but the real danger point is the fact that you have all those extra members who, in turn, in a democratic country are trying to do something for the people they represent, and that is the real cost.

THE ACTING CHAIRMAN: This is perhaps not a fair quest-

ion, but are you in favour of the Legislative Council in Quebec?

MR. MORGAN: My fingers are crossed.

BY MR. STEWART: Q. In connection with the heading "Public Debt", you suggest that the Commission recommend some systematic long-term treatment of the public debt of this country. Would it be possible for you to indicate what was in your mind when you made that statement? A. Again, with the Chairman's permission, I would ask Mr. Porteous to take the stand on that.

MR. J.V. R. PORTEOUS: Mr. Chairman, that is a tall order. Generally speaking, the feeling which leads up to that paragraph is as to the relief of the tax burden on the people of Canada. In 1932-1933, the revenue from taxes amounted to \$254,000,000. In 1936-1937 it was over \$384,000,000. So that during that time there was an increase of 34% in taxes paid by the people. 1937 was a fair year in business, and what we have felt there is that in the good times some provision should be made for a sinking fund, if you like, and that in a time of cheap money we should make as long term a treatment of the public debt as we could, with some provision for sinking funds during the better times. I think you will admit that the people have responded very freely in the matter of taxes. In a short period of time they have accepted an increase of 34%, and during that time we have felt that perhaps we should look for a reduction in the total governmental expenditures which would give us that relief we seek; and in so far as the long-term treatment of the debt is concerned that we might during that period take advantage of cheap money.

Q. Do you not think that it is likely when a sinking fund has been set up, or at least a reserve fund against bad years has been set up, that there is a great temptation on

the part of legislatures to devote that to other purposes?

A. Well, it just depends how it is set up. I would imagine a sinking fund should be set up out of surplus revenues and ear-marked for a special purpose. If you set up a sinking fund and it is definitely ear-marked for a specific purpose it should not be used for anything else.

Q. But there is a tendency, I think you will admit, to spend surpluses raised by taxation? A. Well, I would not want to say that there is a tendency to spend surpluses raised by taxation in so far as the figures I have before me do not show very many surpluses.

Q. Mr. Morgan, on page 5 under the heading "Personal Income Tax," you suggest "The general principle of raising governmental revenue by direct visible taxes rather than by invisible means." Have you anything more in mind than that the personal income tax is an excellent example of direct type of taxation? A. That is it, because unfortunately, ^{no matter} now

much publicity is given - one does not get much publicity - but the average Canadian does not realize the amount of taxes he is paying. That is certain, we feel, and we know that as soon as you show him the taxes he is paying he becomes tax conscious, and if he becomes tax conscious he becomes governmental conscious and interested in what is happening in the government. It is unfortunate, but it is true that the average Canadian feels why should he worry about the spending. it is a good thing to see money spent on those things because somebody else is paying for it. Whereas, he is paying for it himself and if we could make him understand it it would mean we would have less governmental spending.

Q. Under the heading of "Taxation" on page 5, under the sub-heading "Personal Income Tax" you suggest the general principle of raising governmental income by direct visible taxation rather than by invisible means. Had you anything more in mind than that the personal income tax was an excellent manner for a proper type of taxation?

A. That is it, because unfortunately, no matter how much publicity, or one does not get much publicity; but the average Canadian does not realize the amount of taxes he is paying. We know that as soon as you show him the tax he becomes tax conscious and if he becomes tax conscious he becomes governmental conscious and interested in what is happening to the government. It is unfortunate to say, but it is true, that the average Canadian feels, "Why should I worry how the money is spent? As a matter of fact it is a darn good thing to see these monies spent, because somebody else is paying for them." We feel we would have less pressure being brought to bear on our governmental bodies for spending.

Q. And it would probably result, would it not, in pressure to have that particular form of tax removed and another one substituted that would not hit him?

A. That is just why we say he should know.

Q. Further, on page 6 you refer to the fact that the Chamber believes that the tax on real estate should bear some relation to earning power. Have you any particular system in mind there?

A. Well, the difficulty that real estate has got into we are all perfectly familiar with, and we felt that the owner of real estate is being put to an unfair disadvantage in the amount of taxes that he has got to produce.

Q. But, it does bear the suggestion though that lands that are not earning might be exempt from taxation. Did you have that in mind?

A. Or lowered. For instance,

you take property that has been developed in certain sections of our cities, and the returns from those buildings have dropped tremendously. The taxes on those buildings have not dropped, and we maintain that there ought to be some sort of a system along the lines that are being carried out in England today, where a lowering of taxation takes place when the revenue of a building falls.

Q. That is in the case of improved real estate?

A. Yes.

Q. You would not extend that to unimproved real estate held speculatively? A. No, we have no desire to encourage speculation as such.

Q. I did not think you had, but I thought there was that suggestion in the wording of it. A. Yes.

Q. Dealing with the Companies' Acts on page 7, was there any unanimity of opinion on the part of your constituent members that the Dominion alone should have control and regulation of all companies? A. The return on that particular thing, Mr. Stewart, was that 58 of our member Boards replying to that, stated that they wished it under the Dominion, ten were of the opinion that it should be Dominion and provincial.

Q. I would take it from that that a good many did not take a stand? A. A good many did not take a stand.

Q. Dominion administration and regulation would involve very substantial provincial offices would it not?

A. Well now, when you are going to questions on the matter of the companies Acts again I feel that probably the Commission would like to hear from an expert rather than from myself and I am going to turn that over to Mr. Jellett again, if I may.

MR. JELLETT: A committee on the Uniform Companies Acts consisting of representatives of the Dominion and the provinces was organized in 1936. Dr. Coleman in his evidence

before this Commission said that the work is long and involved and difficult, up to the present "but we are very hopeful of arriving at a very satisfactory solution of our problems".

Q. Have you read Dr. Coleman's testimony before this Commission? A. No, sir.

Q. He did not go to the extent that the Dominion alone should have control of corporations, but that uniformity as between the provinces and the Dominion was the possible objective. A. Well of course no one can disagree with that, because if we will go back to the elementary basis of confederation I think we all realize we have set out right from the start, that the first thing to do after Confederation was to obtain uniformity of laws. That was one of the immediate things that was started. And here we are now all these years afterwards, we have no real progress made in this uniformity, which was conceived to be an essential thing in this idea of a strong central government and subsidiary legislatures, that we are going to have uniformity right away. You can see that right away in Quebec, that was so at that first session.

Q. Yes. At the same time the uniform objective was only for the common law provinces. A. Yes, you have that problem.

Q. But, do you think that reasonable uniformity can be obtained by means of negotiations between the provinces and the Dominion. A. I think it is the best way to get it. That is our best hope. All these things we recommend must be ideal because we have, in making the recommendations, the great conception that we cannot bring about by a new constitution, by a new British North America Act, we are thinking on very ideal lines, but we want to say that we see no evidence that is going to induce the provinces to give up long existing powers and customs and corporations.

We think uniformity is certainly the step that is obtainable. We would like to see it the other way, but we are not going to see it.

Q. Federal administration and control might involve a very considerable delay for business people in the more remote provinces in securing speedy incorporation?

A. Well, it would involve some. It is extraordinary how speedy incorporation could be. Before England changed its Finance Act a number of people in England formed Canadian Corporations and it was extraordinary how speedily they were made, they were Dominion charters, and we got them from the Dominion just as fast as they could turn them out. We got them in three or four days. Surely we could do it by this mail service and air mail, as long as there is nothing unusual in the application. If there is anything barring incorporation, if they are not for insurance or banking, you get your charter almost immediately.

Q. Would you think Dominion control would involve provincial agencies, provincial offices? A. Well, if you did that I think it would lose a good deal of what you were after. You must use the word Royal or National. As soon as you separate the power to issue letters patent all over the provincial units you do lose this dream we are thinking of, where all people should get their charters on an equal and fair basis. That is what we are thinking of.

BY MR. STEWART OF MR. MORGAN:

Q. Now, Mr. Morgan, again coming to your section on public borrowing you suggest the establishment of a loan council. Had you in mind the Australian Loan Council in making that recommendation? A. Yes.

Q. It would just be the provinces which are obliged to lean on the federal government for financial support, it

was not your conception of a loan council that it should have general jurisdiction? A. No, not in making that recommendation.

Q. Could you be a little more specific as to what you include in the expression "...obliged to loan upon the federal government"? In a sense they all do that, or get the regular subsidies. You must mean something more than that. A. What we mean by the loan council there is that when the province gets into financial difficulties and wants to get help from the federal government, then, if the Federal Government is going to loan money to that province, it should in turn have some supervision of its expenditures and the conditions of the loan should be supervised by this proposed loan council.

Q. It would only function in the case of provinces that were finding some difficulty in meeting their public obligations? A. Only in that case.

Q. Now, in the next section, "Subsidies" it is under this section that you recommend the establishment of a Grants Commission. That again would be along the lines of the Australian Grants Commission? A. Along the lines of the Grants Commission in Australia.

Q. In the last sentence in that paragraph you say,
 " Its permanent function should be to determine, at regular intervals, the needs of any provincial government, which applies to it for increased assistance."

A. That is because of the fact that there has been nineteen changes in the subsidies since Confederation.

Q. Is it your view that the grants commission should operate on the basis of the fiscal needs of the provinces?

A. Of the fiscal needs, yes, I would think so. The Grants Commission would very definitely investigate the necessity of assisting, of increased subsidies.

Q. Now, just carrying that thought back I would like to refer you to page one of your brief, where you say that the central standpoint to be maintained in seeking a solution of our present difficulties should be that of the citizen rather than that of administrative bodies?

A. Yes.

Q. Would you expect your grants commission to operate from that point of view? A. Well, what we mean by that, the idea behind that thought was that we must view these problems from the standpoint of the Canadian citizen, rather than from the various political set-ups or provincial set-ups or municipal set-ups, and the question then of the grants commission, the idea of the grants commission would be that when a province felt that a change should be made in the subsidy or the money they require for some specific purpose or something of that sort, that that should be reviewed by the grants commission set up along the lines of the Australian system.

Q. Just one more line of questioning. On page 9 you recommend a policy of restrictive and selective immigration. Has your board any suggestions as to the type of immigration, the places where they should be settled and the lines of activity they should be encouraged in?

A. I think I can answer that. Our board's policy is fairly broad on that and I would just like to read for a moment and elaborate, if I may, this is passed at the last convention in Vancouver in the fall of 1937:

"The Chamber recommends that the Federal Government should inaugurate a policy of restrictive and selective immigration with a view to securing a reasonable number of immigrants,

preferably of British stock. The Chamber believes that recent improvements in the economic situation will permit of the absorption of even larger numbers of immigrants without detriment to the employment opportunities available to native Canadians, and in fact should, by enabling the greater use of the services already established in Canada, increase general prosperity".

Well, that is almost what we suggest there. We realize this is a tremendous country, that the country is not, as perhaps some of the European countries are, like Belgium, developed with anything like the numbers, the possibilities of this country. So our idea for immigration would be to bring out primarily agriculturists for our Canadian West, where there are thousands of acres of undeveloped land, and the development of our natural resources in Canada which have not yet been touched. The more immigrants we have, the more chance we have for the manufacturers to supply them with the needs that they will require. To put it broadly, if we had 20,000,000 people in Canada it would require more industries, we would have many more people to pay our taxes, and our cities and towns would grow and be prosperous. We feel that our services are developed far beyond the needs of ten million people, well say ten or eleven million, and if we are going to be content to stay at ten or eleven million we will have to cut down some of our services. Our feeling is both should be done, and with the long range point of view we must never lose sight of that, the development of this country could be made very much larger and more prosperous than it is today and its possibilities are

there. The greatest development in the United States took place in the 19th Century and it was caused by immigration. It is quite true that we do not need to copy, nor do I want to suggest that we copy the method they used in developing their country, but with proper selective immigration we could get the benefits that they secured and at the same time avoid the pitfalls they have fallen into.

Q. A good deal of evidence has been given, Mr. Morgan, in the Western Provinces, as to the number of additional immigrants these provinces could sustain, and the figures are not very optimistic?

A. That is perfectly true, but do you not think on the other hand, Mr. Stewart, that is always the answer to any suggestion? I feel satisfied that when Canada had a population of five million, that the same answer would be given, that the cities at that time were of a certain size and there was undoubtedly unemployment going on in cities and it is hard for the citizen to keep his eyes on the larger viewpoint, when he feels that his store and industry is this size and there is no need for any more. But if you have the mouths to feed and clothes to cover a population double the present size you undoubtedly, it stands to reason you will require very much more employment and very much more construction and much more development of the country as a whole. We do not for a minute admit that Canada has now reached her zenith of population.

Q. It has been very strongly suggested that some parts of Canada have--- A. Well, some parts.

Q. The province of Saskatchewan for instance, has reached her optimum. That is based on soil tests?

A. All right, I will not argue with you on that because

I am not as familiar with that as you are, but at the same time it is going to be very hard for any Canadian to swallow the statement that the country is developed as far as it can be developed or should be developed economically. We know as a matter of fact from experience, take the Old Country, take the intensive development which can be produced by more intensive population, take Belgium which I know very well, and Holland, the central countries there, it is surprising the intensive agriculture that has developed satisfactorily there. Now, I do not say we would want to do that, but I say the more people you have the more development you will have.

Q. Is not one of the difficulties the marketing of the goods that would be produced? A. That is quite true but after all we are in a particularly fortunate position here with a population of 120,000,000 who are living to the south of us, and where certain of our fundamental primary products could also find a market. And at the same time Mr. Clarke points out we are the fifth largest exporting nation in the world.

COMMISSIONER DAFOE: What does that word "encouraging" mean? - encouraging selective immigration?

MR. MORGAN: It means lowering the barriers to allow a certain type of immigration into the country that is at present not allowed into the country, the prospective satisfactory citizen. We do not want to bring out naturally somebody who is used to urban living and throw him out into the wild and he would never make a living. We know perfectly well from experience that many of these people will become failures and have to drift back on relief. But on the other hand we do know we have tremendous natural resources. We are told that in every public

school book and in every speech, the tremendous resources that Canada has open to development. And as a matter of fact it has been an eye-opener I think to see the development that has taken place in our natural resources in parts of Canada that we never, ten years ago, had any idea of the development that is occurring now. With more people in that country that we are even now unfamiliar with, it will develop and will house and create employment for more immigrants.

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COMMISSIONER DAFOE: It does not involve assisted immigration?

MR. MORGAN: No, it does not necessarily, that is not what we had in mind.

COMMISSIONER DAFOE: You mean that we should make it possible for people of a certain type who want to come into the country, to get into the country?

MR. MORGAN: That is it, we are not quite prepared to say that we have reached our limit and that we should not go any further.

THE ACTING CHAIRMAN: It would not mean financial help?

MR. MORGAN: No, it would not.

THE ACTING CHAIRMAN: Well, it might and it might not. Have you any other questions, Mr. Stewart?

MR. STEWART: Mr. Chairman, during the course of the Winnipeg sittings, when the Winnipeg Board of Trade was presenting its submission to the Commission, a number of lines of questioning were suggested and the Winnipeg board was asked if the matter would be dealt with by the Chamber of Commerce when making its presentation here. I was wondering if that had been brought to the attention of the central body?

MR. MORGAN: The recommendations of the Winnipeg Board of Trade are embodied in our brief, but only as one unit of the many boards of trade. We have tried to summarize the opinion so it would represent all boards of trade from coast to coast. We have not emphasized one or the other unless there has been some very important question. There is a reference to this on page 865 of the record. Mr. Stockdill said:

"I might say, Mr. Chairman, and Gentlemen, that the Canadian Chamber of Commerce has sent

"out to its constituent members a very complete questionnaire dealing with a great many of the subjects to which we have personally referred to-day. That particular question is one that is dealt with in that questionnaire. May I suggest, Mr. Chairman, if there are any particular phases which the Commission would like the Canadian Chamber of Commerce to deal with, they would be very glad to make available whatever they have on those subjects."

MR. MORGAN: That is quite true, any information which we have, Mr. Chairman, we are delighted to be able to give to you. We are happy to be of use to the Commission at any time. I can assure you that it is our most earnest wish to be called upon for any information which we might be able to give to you or any problem which we may be able to solve.

MR. STEWART: Then, Commissioner Sirois suggested this; I should like you to stress paragraph nine, that is what the Winnipeg board considered the contributing factors to the disposition on the part of ministers to seek a means of extending their jurisdiction where constitutional authority is at least doubtful. It is a point on which Dr. Sirois asked that the Canadian Chamber of Commerce brief give some illustrations. I was wondering if the central committee had looked into that matter?

MR. MORGAN: Our answer to that, Mr. Stewart, is really that some administrators--we realize that we are all human--have a weakness for attempting to extend their administration and in this way they spend a lot of money unnecessarily. You know, each administrator is proud of his own department.

He is anxious to build it up into a large, important administration of which he is head. It is in this that the danger lies.

MR. STEWART: It would be much more cogent for the purposes of the Commission if we could have such specific cases as the board may be aware.

MR. MORGAN: I do not know that I am able, at the moment, to give you that information, Mr. Stewart. We would be glad to take cognizance of the question and send the information to the commission.

MR. STEWART: Then on page 867 of the record, the Chairman said:

"In paragraph 8 you refer to the tendency for governments to become too widely extended in reach of business. Can you give us information in regard to that when the Canadian Chamber of Commerce submits its brief?"

Then, Mr. Stockdill answered:

"I shall be very pleased to."

MR. MORGAN: I am just trying to figure this problem out. The tendency of government to go into private enterprise is against the general feelings of the business man. I might, perhaps, refer to one of the best-known examples, and that is the question of public utilities. There is a question as to whether a government should handle public utilities or not. It is our belief that it should not. There are two clear examples of this in the Ontario Hydro Commission and the Quebec Power Commission. The Liquor Commission would be another example.

MR. STEWART: Is it your suggestion that the government should refrain from that form of business?

MR. MORGAN: Yes, we do not believe the government

should enter into competition or enter into what is known as business administration. It is our belief that a government should administer and not go into what is known as business enterprise. This is going far beyond the scope of government as originally planned. We do not believe it has been successful in the country to the south of us where there is a great deal of woe over the fact at the moment.

THE ACTING CHAIRMAN: I do not think you are alone in taking that stand.

MR. MORGAN: No, I do not think so, sir.

MR. STEWART: On page 867 of the record, the Chairman said:

"I now come to the fundamental rights you speak of. I was wondering whether your board had in mind, when you suggested there should be some constitutional revision in reference to these matters, that we should have in the Canadian constitution something corresponding to the provisions in the American constitution. Possibly you are not in a position to answer that question to-day. When the brief of the Canadian Chamber of Commerce is submitted possibly we could have your opinion on that."

Then Mr. Stockdill said:

"Yes; we shall be very glad to do that."

MR. MORGAN: I am afraid we are not prepared to answer that question. It is one I did not anticipate and did not know.

MR. STEWART: Probably this particular questionnaire has not been brought to your attention?

MR. MORGAN: No, sir, it has not.

MR. STEWART: I have nothing further to ask Mr. Morgan, Mr. Chairman.

THE ACTING CHAIRMAN: Mr. Morgan and Gentlemen: We thank you again, not only for the submission, but for the explanations which you have given us this morning. This is an extremely important brief, and we will study it very carefully. We realize that you have given us a rather large order, but we will do our best with it. Will you kindly file this brief as exhibit number 394.

EXHIBIT NO. 394: Brief of the Canadian Chamber of Commerce.

THE ACTING CHAIRMAN: The next brief to be presented is that of the Grand Orange Lodge, and it will be presented by Mr. Saunders, I think.

MR. L. H. Saunders was called.

MR. SAUNDERS: Mr. Chairman and Members of the Commission: We wish to thank you for the opportunity of appearing before you. Our brief is not very long, so we will not take up very much of your time. I want to thank Mr. Skelton for his courtesy in setting a date for us. I have the honour of representing the legislation committee of the Grand Orange Lodge of Ontario West, and I also have the honour to be secretary of it. I have with me Mr. Lawrence and Mr. Miller. I believe he has stepped out to the telephone for a moment to call some friends in the city.

I will go on with the reading of the brief:

"Many years before Confederation the Orange Association was united by provincial jurisdictions under a Federal Grand Lodge. Sir John A. MacDonald, a member of our Association, publicly declared that Orange Confederacy had impressed him with

"potentialities of a British North America Union and that support and encouragement for such a Union had been received from the Orangemen of Canada.

Orangemen were a great factor in pioneering this great Dominion; the early members hewed logs and built settlements, established churches and schools and the lodge hall became the community centre where the early loyalists could gather. No disloyal talk or resolutions ever characterized these Dominion and Empire building gatherings; Orangemen could be relied upon at all times to defend the country and support constitutional authority.

"We are proud of this record of one hundred and twenty-five years of service. We have never found it necessary to apologize for our attachment to the Crown. In the war of 1812-14 Orangemen helped to save Canada; in the Rebellion of 1837 Orangemen were found again on the side of constituted authority; during the Fenian Raids entire Orange lodges marched out to meet the invaders; in the Reil Rebellion and in the South African War Orangemen again joined the colors and in the greatest of all contributions Orangemen by the tens of thousands willingly enlisted for the defence of the Empire and thousands sleep to-day in the fields of France and Flanders.

The Orange Order's ideals are well known and it is not necessary to restate them, but we do feel that this important body of British Protestants should enter its protest against the threat

"delivered before your Commission recently by a cleric of the Roman Catholic Church in Quebec. When they suggest that there will be no peace nor harmony in Canada until the French language and their own religion is officially recognized from the Atlantic to the Pacific, it calls for stern opposition and this Association of Orangemen respectfully resists the claim of those who would seek further to disintegrate and separate the peoples of this Dominion.

We deplore such statements and the attitude of those who seek to force their religion and language upon others who have constitutional rights in this country. Recent declarations from leaders in political and religious life in Quebec that a revolution would be acceptable and would be supported, is dangerous propaganda and can only have the effect of increasing resentment throughout Canada.

We are reminded of a statement of a famous jesuit, Father Hanon, who said: "The French-Canadians infiltrate themselves ever where in those counties of Ontario which divide it from the province of Quebec, and continue bravely to march towards the west. The policy of the Church is to guide the movement, plan and forward settlement, establish the parish system, the parochial school and the religious and national societies; then, to watch and wait for providential developments, that she may mass and lead the people for the effective overthrow of Protestant error and paganism....Is this a dream? No, it is more; it is an every day thing.

"It is hardly necessary to say that this policy has been pursued in Quebec and certain parts of Ontario to the disadvantage of the Anglo-Saxon and Protestant population. Such a policy naturally is opposed."

THE ACTING CHAIRMAN: Mr. Saunders, could I ask you a question? Under the laws or regulations of the province, a French-Canadian is not prohibited from buying land from a Protestant who is willing to sell, is he?

MR. SAUNDERS: That is correct.

THE ACTING CHAIRMAN: If he succeeds in purchasing land it is because he finds a person willing to sell.

MR. SAUNDERS: The reference here is to the establishment of the parish system wherever they go, even into Anglo-Saxon Ontario.

THE ACTING CHAIRMAN: I mean, if they bought land, it is because they have found somebody willing to sell?

MR. SAUNDERS: Yes.

Continuing to quote:

"We question the right of any racial or religious group to change the complexion of this province by such a plan. To those who preach such doctrines and threaten revolution and discord unless their peculiar views are abjectly accepted by the majority in Canada, we would quote the words of the late Sir Wilfrid Laurier who, in 1877, said:

"Like the greater number of young men of the country, I was educated by priests and amongst young men who have become priests. I flatter myself I have sincere friends among them, and to them at least I can and do say: Can you find under

"the sun a happier country than ours, where the (Roman) Catholic Church is freer and enjoys greater privileges? Why, then, do you try to claim rights incompatible with our state of society, to expose the country to an agitation the consequences of which it is impossible to foresee? "

This warning should be repeated to-day with added emphasis. We do not hesitate to say that those who aid or lend themselves to sectional appeals are rendering national unity a disservice.

We want to place on record that Canada is not a bi-lingual country. The only constitutional rights accorded the French in the use of their language is 'In the debates of the House of Parliament of Canada...The Houses of the Legislature of Quebec; the Records and Journals of those Houses; and Court of Canada established by the British North America Act; and...the courts of Quebec.' The French population of Canada is 28.2 per cent (1931 census) 77 per cent of the French are in the province of Quebec. Canada (exclusive of Quebec) is but 8.7 per cent French, which means that there are 913 people in every 1,000 who are not French are not interested in the claims of the French as to language or religion.

The extension of the French language beyond the limitations of the B.N.A. Act is not only unconstitutional but is distasteful and irritating and not in the interest of national unity. We refer to the increasing amount of French used over Canadian Broadcasting Corporation radio stations together with the announcements in French even in

"English-speaking parts of Canada; the duplicating of all government documents, postal supplies, currency in two languages and the bi-lingual requirements for so many civil service positions in Anglo-Saxon Ontario--all without constitutional support.

The Hon. Dr. Anderson, former conservative premier of Saskatchewan, in his book "The New Canadian" says:

'It is the duty of the government to see that suitable educational facilities are brought as far as possible within the reach of all children and to give them an education in the language of the country--the English language. There is no responsibility on the government to provide for education in any other language. We cannot work together, think together, play together, unless we are able to speak together.

The Orange Association favours one primary school. We believe that education belongs to the state. That fact is recognized even in Roman Catholic Italy where the Church enjoys no privilege in the matter of education. We submit that it is wrong to single out any religious or political group for special favour or privilege; but that has been done, and, in Ontario one denomination is permitted to operate religious schools with certain rights as to individual and public taxation. We are opposed to privileges and concessions for any denomination or group. When one enjoys a favour it opens the door and others can submit a just claim to equal treatment no matter how inimical

"their programme to the welfare of the country."

"The ideal of a Common School is not new. Statesmen have supported the idea even before Confederation. The late Hon. George Brown was one of its chief exponents; so was Hon. Alexander McKenzie. Even the Hon. T. D'Arcy McGee - noted Roman Catholic - opposed further extension of the religious separate schools. We affirm that separate schools do not produce a better type of citizen than the public schools, nor are they necessary to produce leading clergymen of that church, many of whom were educated in the public schools. No reasonable objection therefore could be advanced to a system of State or Provincial education in a One-School system. In such a school children of all races, colors and creeds would be taught to be loyal citizens of a great Canada, without the division which separate schools now produce. We believe that such an ideal for Canada should be the aim and desire of statesmen and patriotic citizens who are interested in the well-being of our country. A plebiscite of the electorate in the provinces where separate schools now operate would show the overwhelming opposition to such division in our educational structure.

We are extremely anxious that everything possible be done to remove the objections and remedy the conditions upon which Communism and Fascism grow. The Orange Order stands for British Liberty and democracy. There is no room in Canada for any of these 'isms' nor for those who would flout the law of the land. In this regard we deplore the increase in annulments of marriages in the Province of Quebec by Judges who are appointed by the state and resent the false statement that a Protestant Minister is under any dis-

"ability in his right to perform a marriage ceremony. Surely the people of Canada should be able to look to the judiciary to observe the decisions of the Supreme Court of Canada and the Imperial Privy Council. If some laws can be disregarded at the behest of certain Judges, then those who believe in the overthrow of our present system of government will feel equally disposed to disregard other laws of the land. We submit, most emphatically, that Parliament should remedy this un-British condition decisively.

We re-affirm our belief in absolute separation of Church from State. Any other course is full of dynamite and leaders in political life should be seized with the gravity of the situation. There is a growing resentment against clerical dictation in matters of politics and education. Sir Alexander T. Galt, in 1877, declared; 'A deep-laid plan exists for the complete subjugation of Lower Canada to ecclesiastical rule, with the view of extending the same baneful influence hereafter to the whole of the Dominion. In this view the importance of early and stern opposition to the schemes now being gradually disclosed, becomes the duty of all good citizens, be they Roman Catholic or Protestant.'

Freedom of the subject is one of the great blessings of British liberty but that freedom is abridged in Quebec and the tendency elsewhere is to delegate the powers of government to commissions, boards and consors, whereby the common people lose their sense of personal responsibility as citizens and the consequent respect for the law of the land. May we be permitted to add a paragraph from the last public address of Earl Baldwin on May 18th, last year:

"The Christian State proclaims human personality to be supreme, the servile State denies this. Every compromise with the infinite value of the human soul leads straight back to savagery and the jungle. Expel this truth of our religion and what follows? The insolence of dominion and the cruelty of despotism. Denounce religion as the opium of the people and you swiftly proceed to denounce political liberty and civil liberty as opium. Freedom of speech goes, tolerance follows, and justice is no more."

We have no desire to restrict anyone in the free exercise of his or her religious and civil rights but we feel that the minority influence in Canada should not be able to dictate what the majority should, or should not read, hear or say. This applies to the freedom of the air, which should be as free as the press. No one should be debarred from the use of the radio because he analyzes, quotes or refers to another's religion or politics. The only bar should be libel or treason both of which could be safely left to the courts of our land to determine rather than a government-appointed board of censors. To suppress or restrict free speech at the behest of clerical influence is to spell the death-knell to our democracy and will only supply fuel for those who already are hammering steadily at our system of government. We would draw attention to the fact also that certain Protestant books and publications are denied entry into Canada by the Customs authorities while Roman Catholic books and publications which insult and deride Protestants and Protestantism are sold openly even in Protestant Ontario.

The history of Confederation is one of compromise

"for the sake of unity, but we have to admit that the compromise has always been expected of the majority. The minority are prepared to concede nothing the while agitating and demanding fresh concessions to the disadvantage of the majority. We view with alarm these increasing agitations and re-affirm our determination to resist any new or renewed demands that would deprive us of our liberties as British Protestants. The minority should learn that while they feel that they have rights, they also have duties to perform as a minority and that the majority also enjoys rights. A minority attempt to coerce a majority can only lead to disunity, discord and inestimable harm to the cause of a United British Canada.

Pope Pius XI, in 1930, declared in an encyclical which was published throughout the world, that: 'It is the duty of the State to help the (Roman Catholic) Church maintain its religious schools by aid from public funds, and equally the duty of all (Roman) Catholics - as an act of religion - to demand that the State perform this duty.' As loyal British Protestants we resist such foreign or internal influence which would seek to bind the consciences of men in the matter of political freedom, and we deny the right of any religious body in Canada to seek aid for the propagation of its faith from the treasury of the State or by public taxation. There cannot be national unity with a state within a state.

In these days of startling change and challenge, we proudly pledge ourselves anew to the support of the only government system that stands the test of time - British Democratic and Christian administration -

"won, reserved and improved for us by the genius and experience of Britishers who have presented to the world the safest, sanest form of government ever devised by the mind of man. We have no pecuniary interest in appearing before this honourable body to-day. We ask no favours or special privileges - the Orange Order has never done so in its history. We have developed no system which draws dividends for itself; we are content as British citizens in a British Dominion.

We deplore the loose talk and fantastic proposals of those appealing for sectional and factional support. We re-affirm our unswerving loyalty to the Crown of Britain and His Majesty the King. We stand to-day where we have always stood for the great ideals of civil and religious liberty which have made our democracy the envy of the world. We believe in the supremacy of the English language in Canada, one system of education for all, separation of church and state, the inviolability of the civil law, loyalty to the Union Jack as the flag of Canada and Canada's National and only Anthem - God Save the King."

I have the honour of submitting this on behalf of the Grand Orange Lodge of Ontario West Legislation Committee.

THE ACTING CHAIRMAN: We will file the brief, Mr. Saunders, as Exhibit No. 395.

EXHIBIT No. 395. Brief of Grand Orange Lodge of Ontario West; Legislation Committee.

BY MR. STEWART: Q. Mr. Saunders, I would like to ask one question. Can you indicate to the Commission the membership of the organization which you represent?

A. The membership of our own provincial lodge?

Q. The Orange Lodge of Ontario? A. 40,000.

Q. There is another organization in Ontario East? A. Yes, there is another Grand Lodge in Ontario East. Our jurisdiction comes east as far as County of Ontario, and we have by far the larger membership, perhaps two-thirds of the province.

Q. And the Lodge of Ontario East is not joining in this submission? A. No, this is our own Committee, Mr. Chairman. I do not know what action Ontario East Grand Lodge has taken.

MR. STEWART: I have no further questions to ask.

THE ACTING CHAIRMAN: Your brief will be taken into consideration, Sir.

The Commission adjourned at 1 p.m., to resume at 2.30 p.m.

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AFTERNOON SESSION

The Commission resumed at 2:30 P.M.

THE ACTING CHAIRMAN: All right, Dr. Camsell, if you are ready.

DR. CHARLES CAMSELL, Deputy Minister, Department of Mines and Resources.

Mr. Chairman and gentlemen:

The brief that I have to present to you this afternoon has to do with the Department of Mines and Resources. The Department was created in its present form in December, 1936, a year and a half ago.

"The Department of Mines and Resources is responsible for the performance of duties and functions formerly carried out by the Departments of Interior, Mines, Indian Affairs, and Immigration and Colonization. Included also is the Hydrographic Service which was formerly a part of the old Department of Marine.

For administrative purposes the department is divided into five branches, namely:

Mines and Geology Branch

Lands, Parks and Forests Branch

Surveys and Engineering Branch

Indian Affairs Branch, and

Immigration Branch.

A detailed statement of the major activities of the different branches is as follows:

Mines and Geology Branch

The Mines and Geology Branch supersedes and performs the duties of the former Department of Mines, as well as the Topographical Surveys and Air Surveys duties of the former Department of the

Interior. The Mines and Geology Act of 1907 which created the Department of Mines, authorized that 'the Department shall consist of two branches, one of which shall be called the Mines Branch, and the other of which shall be called the Geological Survey'. By the terms of this Act, the investigations to be made were to cover the entire Dominion and were to include all problems of a geological and scientific or technical character that might be involved in the finding, development, mining, treatment, and use of ores and minerals for the purpose of furthering the progress of the mining industry.

By the Order in Council (May 16, 1871) admitting British Columbia into the Union, the Dominion Government assumes and defrays the charges of geological surveys in that province. For convenience and for the benefit of the mining industry in Western Canada a branch office is maintained at Vancouver, B.C., in charge of a senior officer of the Geological Survey. Similarly, in accordance with the Manitoba Act 1870 (33 Victoria, Chapter 3-26) the Dominion Government assumes and defrays the charges of geological surveys in Manitoba. In addition to these two provinces, the Dominion Government is under statutory obligation to perform geological surveys only in Prince Edward Island, though ever since Confederation the Parliament of Canada has voted funds for geological surveys throughout the Dominion."

And may I interject here, Mr. Chairman, something in that connection, something historical perhaps, that geological surveys were first mooted in this country in

1837 when a resolution was passed in the House of Assembly of Upper Canada, moved by William Lyon Mackenzie and seconded by someone else, and approved by that House, that a geological survey should be instituted in the Province of Upper Canada. As you know, the rebellion took place that year and it was not until 1842 that the Union Parliament met in Kingston when this resolution was implemented and a vote of £1,500 was passed by the Union Parliament for geological surveys in Upper and Lower Canada. That work proceeded and surveys were carried out not only in those two provinces, but in the Maritime Provinces as well. When Confederation came into effect the Federal Parliament continued to vote funds for geological surveys throughout Confederation and the surveys were then extended into Western Canada, in British Columbia and the Prairie Provinces.

Then again at that time, the geological survey was a department of government with a head who had the status of a deputy minister. In 1907 the mines and geology act was passed which provided for the setting up of the Department of Mines, under its own head, and then the next change took place in 1936.

MR.STEWART: Just so that we will not miss anything, are you going to come back to the correlation of the work between the provinces and the Dominion under surveys?

DR.CAMSELL: Yes.

"For purposes of administration, the Mines and Geology Branch is divided into four units of which the two main units are:

The Bureau of Geology and Topography

The Bureau of Mines.

Bureau of Geology and Topography

Geological surveys carried out by the Bureau are designed to promote the discovery and development

of Canada's mineral resources by means of geological studies in the field, the results of which are represented to the public in the form of maps and reports. Field studies are carried out in particular districts to determine areas favourable for prospecting and to obtain information on mineral deposits that will be of direct benefit to prospectors and operators. No search is made for mineral deposits, nor does the Bureau examine and report on mineral properties, except when the purpose is to obtain information on the district as a whole and for general application.

The nature and extent of underground water resources of districts are also determined, and other investigations serve as a basis for the classification of soils for agriculture and forestry. The geological services are in charge of a chief geologist, under whom is a staff of twenty-nine geologists.

During the season of 1937 forty-one geological parties were placed in the field throughout the Dominion, and the work comprised the mapping and examination of one area in Yukon; two in the Northwest Territories, nine in British Columbia; eleven in the Prairie Provinces; seven in Ontario; seven in Quebec; and four in New Brunswick and Nova Scotia.

A national air photographic library is maintained to assist in the investigation and development of Canada's natural resources and for mapping purposes. The photos cover parts of almost every province and of the Northwest Territories.

The technical assistance of the library staff is of chief value in the interpretation for prospectors, mining engineers, and other engineers, of photographs of areas difficult of access, but which are regarded as favourable for the occurrence of minerals in commercial quantities.

All topographical surveys undertaken by the Dominion Government are conducted by the Bureau, and include topographical mapping from ground surveys, and control surveys for aerial photographs.

During the past fiscal year eleven topographical parties were placed in the field, five in British Columbia, two in Alberta, two in Ontario, one in Nova Scotia, one in Yukon, and two in the Northwest Territories.

Results of all geological work and mapping are made available to the public by means of reports and maps both geological and topographical.

The duties of the Geographic Board of Canada which is another unit of this particular board, created by Order in Council December 18, 1897, are: to advise and rule on all questions concerning geographic names in the Dominion that arise in the departments of the public service.

Expenditures by the Bureau for its services to the mineral industry during the fiscal year ended March 31, 1938, reached a total of \$724,200; including the salaries of staff, the cost of publications, and the maintenance of its British Columbia office

Revenue arising from sale of publications, mineral collections, etc., for the same period

was \$7,737.

Bureau of Mines, the other unit in this branch. The Bureau of Mines follows up the services of the Bureau of Geology and Topography to the prospector or mine operator by assisting him in devising suitable treatment methods for his ores, and, by investigation and research, widening the uses and markets for the finished product. For the purpose of these investigations provision has been made in the technical equipment of the Bureau for the carrying on of tests concerned with the treatment of all types of ores, minerals, and fuels. These tests range in size from small laboratory investigations to tests on a semi-commercial scale, and the running of pilot tests where the problems are of peculiar difficulty and of sufficient economic importance."

And to illustrate that particular phase of the work I may cite the case of the investigations that have been made of the radium industry in Canada, when in order to devise means for the reduction of the radium bearing ore in Great Bear Lake a small pilot plant was put into the laboratory on Booth Street in Ottawa and three chemists were assigned to the problems of providing means of reducing this ore and recovering the metal. The cost of that plant was something like \$10,000 in capital expenditure and in addition to that there was the cost of the chemists for about a year and a half.

"A staff of technologists with specialized experience in the different branches of the metallic, non-metallic mineral, and fuel industries is engaged in the investigations pertaining to the occurrence of deposits of economic interest in all parts of the Dominion. These investigations

comprise comparative studies of the methods of mining, treatment, and recovery, and the markets for and use of the minerals and their products. The reports containing the results of the investigations cover all the important mineral producing and mineral manufacturing industries of Canada, and consequently, all known deposits of commercial value in the country. The records maintained of such investigations are used to furnish at short notice, authoritative information on practically any phase of the mining and metallurgical industries of the country. Each year comprehensive reviews are prepared by these technologists on all of the principal metals and minerals produced in Canada.

I may say, sir, again, we have assigned two men at least to the National Defence Department within the last year in order to conduct a survey that is being made by that Department.

Modernly equipped ore dressing and metallurgical laboratories are maintained for the test and investigative work on all classes of metallic ores and minerals, and on metallic mineral products. These tests have to do chiefly with the devising of suitable treatment processes for the recovery of metals from their ores. They are the only laboratories in the Dominion which are fully staffed and equipped to meet the varied demands of the industry. The cost of the buildings and equipment (exclusive of land) to date is approximately \$1,000,000.

Similar investigations and researches are made on the non-metallic minerals, principally

those used in the building, the chemical and metallurgical, and the ceramics industries. The work deals with the economic characteristics of the minerals, their mining, marketing, uses, crushing, grinding, milling, and with problems of processing in the manufacture of mineral products, particularly ceramics. In the latter case the work is directed chiefly to improving the technology of the clay-working industries and in assisting operators by research in the ceramic laboratories to overcome their technical difficulties.

Fuel investigations, which are carried out in well-equipped laboratories, have as their chief object the more extensive and more efficient use of the fuel resources of the Dominion, with particular attention to the replacing of imported fuels by the products of Canadian mines. Laboratory equipment permits research and investigative work on the classification of coals, coal beneficiation, carbonization, and briquetting, petroleum oils, bitumen, natural gas, and explosives, and for experiments in the hydrogenation of various fuels; and equipment is provided for large-scale coking tests on coals.

The Bureau administers the Explosives Act (1914) under which is regulated the manufacture, testing, storage, and importation of explosives. According to the terms of the Act, only those explosives, which, after examination, have been authorized may be manufactured in this country, or imported, each importation being made under the authority or permit issued by the Bureau. The distribution of the factory buildings, the quantity

of explosives in each, the conduct of operations, and other factors bearing on the safety of personnel and the public are dealt with in the licenses issued, and are checked by frequent inspection.

The establishment of magazines, whether of permanent or temporary character, is subject to licensing and inspection. Storekeepers carrying possibly small stocks of ammunition, are bound by general regulations, the enforcement of which calls for much inspection work. The transportation of explosives by railway is subject to regulation by the Board of Railway Commissioners.

Expenditures for fiscal year 1937-38 amounted to \$476,000 of which \$23,000 was for the Explosives Division."

MR. STEWART: That is for the whole of the Bureau of Mines?

DR. CAMSELL: That is \$476,000 for the whole of the Bureau of Mines. \$23,000 was for the Explosives Division.

"Revenue arising from permits, licenses, assays, etc., amounted to \$4,059.

The Dominion Fuel Board forms part of the Mines and Geology Branch, and was created by Order in Council in November 1922. As originally constituted, the Board's duties were to investigate the fuel supply problems of the country, and to advise the Government thereon; and particularly to extend and correlate the various investigations then in progress that effective solutions might be arrived at quickly.

The introduction of coal subventions marked an important change in the functions of the Board, and in recent years much of the time of the staff has

been given to the administration of those subventions. The amount of assistance payable in the movements of coal is authorized by Orders in Council, and changes are made from time to time to meet changing competitive conditions. In general, it may be assumed that the coal ~~moved~~ under assistance has largely displaced equivalent quantities of coal formerly imported.

Besides the subventions administration, the Board is responsible for the supervision and inspection of coke plants operating under the Dominion Fuel Act, which assistance is designed to encourage the use of Canadian coal for the manufacture of coke.

Expenditures for administrations and investigations in fiscal year 1937-38 amounted to	\$30,873
For subventions and subsidies	<u>\$2,570,000</u>
Total ---	\$2,600,873

MR.STEWART: Just at that point, when the Commission was in New Brunswick it was represented to the Commission on behalf of the owners of the Minto District, that the subventions as distributed tend to injure the 'Minto Mines rather than assist, by bonusing Nova Scotia coal into their local market, as they claim. Have you gone into that situation?

DR.CAMSELL: Yes. We bonus Canadian coal into those markets that are competitive with imported coal, not competitive with Canadian coals ~~from~~ other Provinces, so we do not bonus coal going into the Province of New Brunswick. We bonus coal coming into Quebec, the eastern part of Quebec, and the Province of Ontario.

MR.STEWART: Wherever it comes into competition with imported coal?

DR.CAMSELL: Wherever it comes into competition with imported coal, yes.

MR.STEWART: I think perhaps the origin of the New Brunswick complaint was due to the fact that a subvention to the Nova Scotian mines decreases their per ton cost of production and thereby enabling them to actually drive Minto coal off the immediate market that had previously been enjoyed by the Minto proprietors.

DR.CAMSELL: Yes, it has certainly the effect of decreasing the cost of production by reason of the fact that it increases the volume of production. I have not with me the figures indicating the amount of subventions paid to the Minto mines as compared with Nova Scotia.

MR.STEWART: The amount, from my recollection, is something like \$66,000 - a relatively small amount.

DR.CAMSELL: Yes. "The Geology and Mines Act (1907, c.29, S. 5) stipulated that the Department shall maintain a Museum of Geology and Natural History for the purpose of affording a complete and exact knowledge of the geology, mineralogy, and mining resources of Canada. In 1927 the work of the Museum was officially recognized as a distinct Departmental activity under the name of the National Museum of Canada. The National Museum, with an Assistant Curator in charge, is at present under the administration of the Chief of the Bureau of Geology and Topography. The work of the Museum deals with biology and anthrapology and their related sciences and subdivisions. Original investigations and research are made in mammalogy, ornithology, and botany, covering practically the entire wild life and plant life of the Dominion. Research and investigative work is also carried out in ethnology, linguistics, archaeology, and physical

anthropology, in which the histories and conditions of life of the early aboriginal races in Canada are explored.

The Museum is the national repository for natural history specimens and objects of scientific value collected by its own officers in the course of their field investigations or contributed by other Government departments or private citizens.

The Museum provides by loan natural history collections, moving pictures, photographs, lantern slides, and other illustrations for use in schools, and in other ways assists educational institutions. It builds and maintains permanent public exhibits representative of the natural resources of the country, and contributes to temporary exhibits both in Canada and abroad.

Expenditures for the fiscal year 1937-38 amounted to \$89,500.

The Mines and Geology Branch administered, in co-operation with the provincial governments and the Department of Labour, Ottawa, a special supplementary vote of \$1,500,000 passed by Parliament in 1936-37 and supplementary vote of \$1,400,000 in 1937-38 to aid in improving transportation facilities into mining areas.

This assistance was undertaken as a means of reducing transportation costs into mining properties throughout Canada where such costs are so high as to retard development. Agreements were made with the provinces concerned whereby the work was undertaken and carried out under the direction of the provincial governments, with the understanding that two-thirds of the total expenditures in each case were to be contributed by the

Dominion Government, and one-third by the respective provinces. Projects in Yukon, and in the District of Mackenzie, Northwest Territories, have been financed and carried out wholly by the Dominion Government.

The total amount expended on the road projects by the Dominion and provincial governments during the fiscal year 1936-37 and 1937-38 was apportioned as follows:

	Approximate value of works executed	Approximate value of works executed
	<u>1936-37</u>	<u>1937-38</u>
Nova Scotia	\$ 37,000	\$ 36,972
Quebec	525,000	448,080
Ontario	490,600	496,000
Manitoba	322,000	317,461
Saskatchewan	80,300	149,784
Alberta	Nil	Nil
British Columbia	375,000	332,032
Yukon	20,000	62,234
Northwest)	33,000	14,569
Territories)		
	<u>\$1,882,900</u>	<u>\$1,857,132</u>

Lands, Parks and Forests Branch

"The Lands, Parks and Forests Branch administers the mineral, land, fur, and other resources of the Northwest and Yukon Territories; and deals with any business arising from the local government of these territories. It also administers the National Parks of Canada, gives a lead in the conservation of wild life, marks historic sites of national importance, and assists in the encouragement of tourist travel. The Branch conducts

scientific investigations relating to the safeguarding, management, and utilization of the Dominion's forest resources, for which work it maintains forest experimental stations and forest products laboratories. The Branch also maintains a Federal Land Registry Office.

The Branch comprises four main divisions, viz., Bureau of Northwest Territories and Yukon Affairs, National Parks Bureau, Dominion Forest Service, and Federal Land Registry.

Bureau of Northwest Territories and Yukon Affairs.

Northwest Territories

The Northwest Territories Act (Chapter 142 R.S.C. 1927) provides for a Territorial Government, composed of the Commissioner of the Northwest Territories, who is the Deputy Minister of Mines and Resources; the Deputy Commissioner, who is the Director of the Lands, Parks and Forests Branch; and five Councillors, all appointed by the Governor General in Council. The Commissioner in Council has the power to make ordinances for the Government of the Territories respecting direct taxation within the Territories in order to raise revenue, etc., establishment and tenure of territorial offices and appointment and payment of officers, maintenance of prisons, municipal institutions, licences, solemnization of marriages, property and civil rights, administration of justice, and generally all matters of a local and private nature in the Territories. The Council functions not only as a legislative body but in an advisory capacity to the Minister on matters pertaining to the administration of the Northwest Territories."

MR.STEWART: Do you include education?

DR.CAMSELL: Yes.

MR.STEWART: That is included in the functions?

DR.CAMSELL: Yes. There is no other governmental body in the Northwest Territories.

MR.STEWART: It is similar to a provincial administration?

DR.CAMSELL: The Northwest Territories Council carries out all the functions of the Dominion and the Provinces in that territory.

"For the purpose of departmental administration there is a Superintendent for the Eastern Arctic and one for the Mackenzie District at Ottawa. A departmental agent, who is also superintendent of Wood Buffalo Park, Dominion Lands agent, and Mining Recorder, is located at Fort Smith. Two Stipendiary Magistrates are stationed at Fort Smith. A member of the Royal Canadian Mounted Police is Dominion Lands Agent, Mining Recorder, and Crown Timber Agent at Fort Radium in Great Bear Lake. Sub-Mining Recorders are located at various points. Lands are dealt with by sale or lease. There are no regulations for the acquiring of homesteads but small parcels of land suitable for agriculture or fur farming are leased under the provisions of Chapter 113, R.S.C. 1927. Timber cutting is regulated by permit. Regulations are in force governing the disposal of the following mining rights on Dominion lands, mainly quartz mining, placer mining, coal, dredging, oil and gas, carbon black, alkali, potash quarrying, and sand, stone, and gravel in the beds of rivers.

Medical officers employed by the Department are stationed at Fort Smith, Resolution, Simpson, Good Hope, Aklavik, Chesterfield, and Pangnirtung, and part time medical officers are stationed at Port Radium and Yellowknife on Great Slave Lake. Hospitals are maintained at Fort Smith, Hay River, Simpson, two at Aklavik, Chesterfield, and Pangnirtung by the Anglican and Roman Catholic Missions with the assistance of the Dominion Government.

MR.STEWART: Are Indians admitted to these hospitals?

DR.CAMSELL: Yes.

MR.STEWART: They are available to the Indians?

DR.CAMSELL: Yes, and they are used very largely by the Indians.

"Day and boarding schools for native and white children are located as follows: Day schools - Fort Smith (2), Hay River, Simpson (2), Norman, McPherson, Aklavik, Baker Lake, Cambridge Bay, Chesterfield, Coppermine, and Eskimo Point. Residential schools at Resolution, Providence and Aklavik where there are (2). These schools are conducted and maintained by the Anglican and Roman Catholic Missions, assisted by grants from the Dominion Government.

MR.STEWART: Again, I suppose the Indians attend those schools?

DR.CAMSELL: Yes.

"Under the Northwest Game Act, game preserves totalling 514,000 square miles have been set aside in which only natives may hunt and trap. Wood Buffalo Park, containing 17,300 square miles, partly in the Northwest Territories and partly in the Province of Alberta, has been

established for the protection of wild life, particularly buffalo; Thelon Game Sanctuary, with an area of 15,000 square miles, for the protection of the musk ox and all other forms of wild life; and the Reindeer Reserve, comprising 6,600 square miles, for the government herd of semi-domesticated reindeer. - situated just east of the delta of the Mackenzie River, - Licences to hunt and trap under the Northwest Game Act are issued only to British subjects who have completed four years' residence in the Territories or who have carried on the business of trading in game for a period of four years, and to non-residents who on June 30, 1932, held such licenses.

Each year a scientific and administrative expedition is sent to the Eastern Arctic in charge of the Superintendent of the area. The 1937 patrol covered over 10,000 miles, visiting trading posts and settlements on the islands and mainland in the Eastern Arctic."

This expedition is undertaken for the purpose of carrying supplies to those who are situated in the Eastern Arctic; and to maintain the sovereignty of the Dominion of Canada over that region.

"Expenditures made during the fiscal year 1937-38 by the Government of the Northwest Territories were as follows:

General administration and services	\$234,150
Eastern Arctic Expedition	----- 27,000
Total	----- \$261,150

Revenues collected during the same period amounted to \$105,000."

MR.STEWART: Those revenues would be from direct taxation of some form or other?

DR.CAMSELL: From the fur tax mainly, mining licenses and various other things.

"The Yukon Territory. The Yukon Act, Chapter 215, R.S.C. 1927, provides for the method of government for this Territory. There is a Controller appointed by the Governor General in Council who is authorized by the said Act to "administer the government of the Territory under instructions from time to time given him by the Governor in Council or the Minister of Mines and Resources". To assist the Controller provision is made for an elective council of three members and this body is given statutory power to make ordinances dealing with the imposition of local taxes, sale of liquor, preservation of game, establishment of territorial offices, maintenance of prisons and municipal institutions, issue of licences, incorporation of companies, solemnization of marriages, property and civil rights, administration of justice, etc., and generally all matters of a local and private nature in the Territory. Business arising from the general administration of the Territory under the Yukon Act and ordinances passed by the Territorial Council, the disposal of lands under the Dominion Lands Act, the administration of the Yukon Placer and Quartz Mining Acts, and the collection of revenue are responsibilities of the Lands, Parks and Forests Branch. Lands are disposed of by sale, homestead entry, lease, and permit to occupy. .Permits are issued for the cutting of hay and timber. A tax is levied on all fur exported

from the Territory and hunting and trapping may be undertaken only by licence. Hospitals are operated at Whitehorse, Mayo, and Dawson and grants are provided by the Yukon Council towards their maintenance. High schools are maintained at Dawson and Whitehorse, and elementary schools at Dawson, Whitehorse, Mayo, and Carcross.

During the fiscal year 1936-37 activities of Dominion Government Departments in the Territory involved an expenditure of \$576,458.13. Total revenue collected amounted to \$240,365.

In 1937 -38 the Department expended \$244,532.70 and collected \$74,600. The balance was expended by other Departments.

National Parks Bureau

Under the National Parks Act certain areas, to be known as National Parks, have been set apart, and, in the words of the Statute, dedicated to the people of Canada for their benefit, education, and enjoyment.... to be maintained and made use of so as to leave them unimpaired for the enjoyment of future generations.

The functions of the National Parks Bureau are four in number, (1) conservation of the flora and fauna of the Parks; (2) development of the parks as national playgrounds; (3) marking of national historic sites, and (4) administration of the Migratory Birds Convention Act.

The National Parks system is composed of fifteen scenic or recreational reservations covering an area of approximately 12,200 square miles, the number by provinces being as follows: Alberta, 3; British Columbia, 4; Manitoba 1;

New Brunswick, 1; Nova Scotia, 1; Ontario 3;
 Prince Edward Island, 1; Saskatchewan, 1.

These parks are administered as Federal reserves in which the Dominion has exclusive legislative jurisdiction, provided, however, that Provincial statutes not repugnant to Dominion laws and regulations are applicable therein, unless expressly excluded. The larger centres of population in the parks are furnished with all requisite municipal services and public utilities, - operated under the direction of the Bureau, which is also responsible in matters of health and sanitation. Schools and the sale of liquor are administered under Provincial statutes. Business enterprises carried on in park townsites are licensed under park regulations. Townsite lots may be acquired only on a leasehold basis. Mining, water power, and irrigation are reserved to the Dominion and no leases or licences for these resources are issued within the parks. The disposal of timber under permit and the granting of grazing or quarrying rights are regulated in the interests of the parks.

The commemoration of historic events and characters of national importance, and the preservation of historic landmarks or any object of historic, prehistoric, or scientific interest of national importance, have been carried on by the Bureau since 1920 with the advice of the Historic Sites and Monuments Board, which acts in an honorary capacity. More than 1,000 subjects for commemoration or preservation have been reviewed during this period and more than 300 have been appropriately marked or maintained.

"In the matter of wild life conservation the National Parks Act governs in the administration of five wild animal parks, four of which are located in Alberta with a combined area of 311 square miles and one with 13,675 square miles in Alberta and 3,625 square miles in the North-West Territories. Except in the National Parks, which also are wild life sanctuaries, all matters pertaining to the conservation of fur-bearing and big game animals and of non-migratory birds are administered by the Provincial and Territorial authorities, respectively. Activities of Federal and Provincial organizations engaged in this work are brought into harmony at conferences which meet in Ottawa periodically at the call of the Minister. An advisory inter-departmental Board on Wild Life Protection was constituted in 1916 and is composed of some of the members of the Northwest Territories Council and other selected officers of the Dominion Government. This body acts in an advisory capacity in all matters relating to the administration of the Migratory Birds Convention Act and the Northwest Game Act.

The Migratory Birds Convention Act is based on a Treaty between His Majesty and the Government of the United States for the protection of migratory birds in Canada and the United States. Executed in 1916, the Treaty was made effective in 1918 by the Parliament of Canada and the Congress of the United States. The responsibility for administering the terms of the Treaty is Canada is with the Dominion. The understanding

reached with the provinces at the time of the adoption of the Treaty was that each province would amend its laws to conform to the Treaty and enforce the provisions thereof in the administration of its own game laws. There has been no departure from this general arrangement, although from time to time circumstances have necessitated minor revisions to the regulations after consultation with the provinces.

Since the creation of the first park in 1885, a total of approximately \$32,500,000 has been expended in the development and maintenance of the National Parks system as it exists today, against which there has been a return of approximately \$4,200,000 in revenue from park services. Expenditure during the fiscal year 1937-38 was \$1,625,000 and revenue \$324,200."

MR.STEWART: The revenue was largely derived from timber?

MR.GIBSON: It is largely due to the various services that we supply, such as water and light and admission charge at the gates and things like that, Mr.Stewart.

DR.CAMSELL: "Administration of the Migratory Birds Convention Act in the past twenty years has cost approximately \$1,000,000; revenue, consisting principally of fines, being negligible. Expenditure during the fiscal year 1937-38 was approximately \$47,500.

Dominion Forest Service

Since the forests, except those in the Northwest Territories, in the Yukon, and in the National Parks, come under provincial jurisdiction, the work of the Dominion Forest Service consists of

the study of those problems of national importance which relate to the development, protection, and utilization of the forests of the Dominion, namely, forest economics, silvicultural research, forest protection, and forest products research. Work in the field of forest economics comprises the analysis of forestry statistics secured from the Dominion Bureau of Statistics, provincial authorities, and other sources, and the presentation of the results to industry and the general public. Efforts are made to keep in touch with the trend of development of forest industries and of domestic and foreign markets, prices, etc., Estimates of the forest resources and of the rate of depletion are prepared from the material available."

(Page 9605 follows)

"Silvicultural research comprises investigations necessary to determine the methods of cultural treatment of growing stands, and of harvesting forest crops, by which the potential productive capacity of our forests can be most fully realized. Study of the problems involved is concentrated largely at five forest experiment stations in different forest regions. The primary purpose of the stations is to determine the results and the costs of forest management in this country. The stations cover over 220 square miles and are situated in New Brunswick, Quebec, Ontario, Manitoba, and Alberta. The work of the stations includes that conducted on the experimental area under the full control of the Forest Service and that conducted on other areas through the cooperation of the provincial authorities, timber holding corporations, and private individuals."

MR. STEWART: I suppose the work for British Columbia would be done through the Alberta office?

MR. GIBSON: It is done largely by the association here; when the reports come in from the provincial office to Ottawa they are interpreted by our officers whom we have at the laboratory. These men are general purpose men in addition to being laboratory men.

DR. CAMSELL: Continuing with the brief:

"Research in forest protection has resulted in the development of methods of measuring and forecasting forest fire hazard so that the necessary protection measures can be planned in advance. Experimental work is also carried out in improved methods of detecting and fighting fires and in

"the testing of new kinds of equipment. With the cooperation of the provincial authorities annual statements of forest fire losses covering the whole of Canada are compiled.

Since 1913 forest products research has been carried on as a Federal function through the medium of the Forest Products Laboratories. Laboratories are maintained at Montreal, Ottawa, and Vancouver, and the provincial governments and several other organizations cooperate by financial grants by supplying materials, and by providing accommodation for the work of the laboratories. The main laboratories at Ottawa deal with all phases of wood utilization except those relating directly to pulp and paper processing. The Vancouver Laboratory is especially organized to deal with those particular problems peculiar to Pacific Coast woods which can not be dealt with to advantage in the main laboratories on account of the distance. In the laboratory at Montreal, technical problems pertaining to the manufacture of pulp, paper, rayon, pulp-board, and other pulp products are carried on. This laboratory works in close co-operation with the Pulp and Paper Association and McGill University.

Estimated expenditures made on account of the Forest Service in the fiscal year 1937-38 was \$375,781; revenue \$10,100.

The Federal Land Registry is the fourth unit of this branch. The chief functions of this division are to administer certain ordnance and Admiralty lands, public lands, certain Dominion

"lands which remained under federal jurisdiction, matters pertaining to seed grain, fodder, and relief advanced to settlers in the western provinces prior to the transfer of the natural resources, and the central office of record for all lands owned or otherwise controlled by the several departments of the federal government.

There are approximately 170 parcels of ordnance and admiralty lands under administration, having a total area of some 12,620 acres; 28 parcels of public lands, aggregating approximately 3,910 acres; and about 348 quarter-sections of Dominion lands throughout the western provinces, against which charges have been made for loans granted under the provisions of the Soldier Settlement Act. Some 3,400 titles have been recorded and indexed to date in the central office of record for all lands owned or otherwise controlled by the several departments of the Dominion government.

Revenue accruing to the Land Registry for the fiscal year 1937-38 was approximately \$38,800. Expenditures for the same period amount to \$76,725.

The next branch is the "Surveys and Engineering Branch". The Surveys and Engineering Branch is charged with the responsibility of undertaking, in a correlated manner, certain surveys and scientific activities as well as all engineering and construction services required by the Department. This work is carried out through the agencies of the following services or units:

Geodetic Service of Canada.

The International Boundary Commission.

Dominion Observatories.

"The Dominion Water and Power Bureau,
Hydrographic and Map Service, and
Engineering and Construction Service.
Geodetic Service.

Geodetic survey work, under the Chief Astronomer of the then Department of the Interior, was begun in 1905 and in 1909, by Order in Council P.C. 766 dated April 20, the Geodetic Survey of Canada was established. P.C. 766 pointed out that triangulation work in Ontario and Quebec had been in progress for four years 'The object of which is to determine with the highest possible accuracy the positions of points throughout the country, and the lengths and directions of lines which may form the basis of surveys for all purposes, topographical, engineering or cadastral and thereby assist in the survey work carried on by other Departments of the Dominion government, by the provincial governments, and by municipalities, private persons or corporations". The Order in Council further states that 'the Minister recommends that since the operations so far carried on have shown that this accurate basis for surveys of all kinds can be provided for at reasonable cost, and since the value of such work is universally admitted, being vouched for by world-wide experience, that the work be continued under the designation of the Geodetic Survey of Canada ...'

The Geodetic Service, by means of a network of triangulation points and precise level lines, supplies a survey foundation on which all surveys whether Dominion, provincial, or private can be based.

"These surveys are also international in character as Canada, United States, and Mexico all use a common datum for the compilation of results. None of the provinces attempts any primary triangulation or levelling work of corresponding accuracy. By these surveys the latitude and longitude of points throughout Canada are determined as well as their elevation above mean sea level.

Other work includes the determination of the size and shape of the earth in scientific co-operation with international unions and organizations and the investigation of such scientific problems as may arise therefrom.

Total expenditures 1937-38...\$175,000.

The work of the International Boundary Commission is governed by treaties between Canada and the United States concluded in 1903, 1906, 1910, and 1925. Its statutory obligation is to determine and maintain the International Boundary in a state of effective and permanent demarcation.

The first duty of the International Boundary Commission is to interpret the boundary as defined in the treaties in order that it will be laid down or re-established in accordance with the true intent of the treaties and in accordance with international law with respect to boundaries and territorial waters. Following this, determination of the boundary line on the ground is undertaken, which is followed by the proper marking and maintenance of the boundary line.

There are two International Boundary Commissioners, one representing Canada and the other represent-

ing the United States insofar as boundaries between Canada and the United States and Canada and Alaska are concerned.

Expenditures for the fiscal year 1937-38 were \$33,000.

The work carried on by the Observatories was instituted following the appointment of a Chief Astronomer by P.C. 1726 dated June 30, 1890. There are two observatories, one at Ottawa, the other at Victoria. Both research and practical work in the various branches of astronomy, astrophysics, and geophysics are carried out. The investigations in the main are scientific and form Canada's contribution to world knowledge in these sciences. Many of the studies, particularly in the field of terrestrial magnetism, gravity and seismology, furnish information for the solving of problems relating to geophysical prospecting in mining areas. No actual commercial solution of such problems, however, is attempted.

Expenditures made during fiscal year 1937-38 were as follows:

Dominion Observatory, Victoria	\$29,900
Dominion Observatory, Ottawa	118,200
	<hr/>
Total	\$148,100.

THE DOMINION WATER AND POWER BUREAU

The division of the Department of Mines and Resources now known as the Dominion Water and Power Bureau is an amalgamation of the Irrigation and Water Power Branches of the former Department of the Interior, and its present duties arise from

"administration of the Irrigation Act, the Reclamation Act, the Dominion Water Power Act, the Lac Seul Conservation Act, 1928, and the Lake of the Woods Convention with the United States. The Water Power Branch was first established a separate organization of the Department of the Interior by Order in Council dated December 16, 1911, (P.C. No. 47-2885), passed under authority of the Department of the Interior Act and section 35 of the Dominion Lands Act, 1908.

The hydrometric work undertaken in connection with Dominion lands and the cooperative agreements with the provinces by which hydrometric surveys were extended to all parts of Canada were authorized by the Dominion Water Power Act, 1919, c. 19, and made a responsibility of the Water Power Branch by Order in Council dated July 19, 1920 (P.C. No. 1620).

MR. STEWART: Does this branch or bureau maintain permanent officials in the various provinces for hydrometric work?

DR. CAMSELL: Yes, there are permanent officials established in the provinces.

Continuing to quote:

"The reclamation Service and the Water Power Branch were amalgamated by order of the Minister on April 13, 1923, and the organization and its duties remain substantially as they existed at that time, except for the changes brought about by the transfer of natural resources to the Prairie Provinces in 1930.

"Irrigation surveys began soon after the first Irrigation Act was passed in 1894. These were under the Chief Inspector of Surveys from 1894 until 1905 when they were placed under the newly created position of Commissioner^{of} Irrigation.

Administration of the Act was with the Timber, Grazing and Irrigation Branch from 1897-1912 when it was transferred to the Forestry Branch.

A separate Irrigation Branch was opened in October, 1912, and its organization and duties were defined by Order in Council P.C. 50-3087 dated December 8, 1913. Reclamation by drainage was added to the work of the Irrigation Branch and the name changed to Reclamation Service by Order in Council P.C. 3199 dated December 31, 1918.

It was amalgamated with the Water Power Branch on April 13, 1933."

MR. STEWART: Does it carry out any irrigation work at the present time?

DR. CAMSELL: I will ask Mr. Wardle about that.

MR. WARDLE: We do not actually carry on any irrigation or construction work.

MR. STEWART: I suppose it carries out investigational work, does it?

MR. WARDLE: It is concerned more with measuring the amount of water falls which is of great assistance in irrigation work.

DR. CAMSELL: Continuing to quote:

"The Dominion Water and Power Bureau as now comprised investigates records, and analyzes the water and power resources of Canada in their International, Dominion and interprovincial aspects

"and in cooperation with the provinces, their provincial aspects; and also encourages the utilization and conservation of water as a potential national agency for the development of mines, forests and lands.

Certain administrative duties are carried out in connection with the following: The Lake of the Woods Convention and protocol between His Majesty and the United States 1925 and the Lac Seul Conservation Act of 1928; the agreement between the Government of Canada and the Governments of Manitoba, and Ontario relative to the creation of storage in the Lake of the Woods and Lac Seul; the administration of the water powers of the Yukon and Northwest Territories, Indian Lands and other lands under the jurisdiction of the Minister of Mines and Resources; under authority of the Irrigation Act to administer the water resources of Keewatin Territory for purposes other than power development.

Certain investigatory work is carried out, including maintenance of stream flow measurements and allied records from coast to coast in cooperation with the provinces; and a systematic record and analysis of the water resources of Canada. Information so obtained is kept on file and from time to time publications are issued embodying the results of such coordinated studies.

Under cooperative agreements, the Dominion provides staff and equipment, arranges for the publication of results and maintains all gauging stations on international and navigable waters.

"The provinces maintain all gauging stations established within the provinces for provincial purposes and defray, in accordance with the respective agreements, a proportionate share of the cost of investigatory work in the province concerned. In the fiscal year 1936-37, the total contribution of the provinces was \$33,050 and in the fiscal year just closed, \$31,050. Expenditures during the fiscal year 1937-38 were \$222,600.

HYDROGRAPHIC AND MAP SERVICE

This Service consists of two main divisions, namely, the Hydrographic Service and the Legal Surveys and Map Service.

The Hydrographic Service deals with the charting of all coastal and navigable waters under Sub-section 10 of Section 91 of the British North America Act, by virtue of which exclusive legislative authority of the Parliament of Canada is extended to all matters coming within the class of Navigation and Shipping. As a result, the work of the Hydrographic Service consists of the survey, sounding and charting of all coastal and navigable waters, the observation and investigation of tides and tidal currents, and the preparation of tide tables for the various navigation areas based thereon; the recording of lake and river fluctuations, the preparation of coast pilots and sailing directions, and such other special marine investigations as may be required from time to time. The Service also supplies to the shipping trade information relative to physical

"features of navigation routes.

Expenditures in the fiscal year 1937-38 were \$428,000. Revenue obtained was \$7,500.

LEGAL SURVEYS AND MAP SERVICE.

All legal surveys required by Government Departments with respect to lands, including those of the Northwest and Yukon Territories, Ordnance Lands, National Parks, and Indian Reserves, are undertaken by this Division.

The Surveyor General of Canada, who is in charge of the Legal Surveys and Map Service, also acts, as required, on various interprovincial boundary commissions. The latter commissions from time to time determine on the ground, or extend, boundary lines between various provinces.

The Dominion Lands Survey Act is administered by this Division and a Board of Examiners is provided under authority of the latter Act to arrange for examinations and rating of applicants who may wish to qualify as Dominion Land Surveyors.

The Map Service compiles, prints, and distributes maps other than original topographic maps made from original field surveys. Maps prepared and printed by the Map Service include electoral maps, general maps, for the use of Government Departments, natural resources, and railway maps, maps of Dominion areas including Ordnance Lands, National Parks, etc., and general maps of Canada and various sections of Canada. This Division also prints maps for the Mines and Geology Branch of the Department and for other Government Departments. It prints all hydro-

"graphic charts that are made from surveys of the Hydrographic Service.

The total cost of the Legal Surveys and Map Service for the fiscal year 1937-38 was \$222,700 and the number of maps distributed was 103,000.

A large number of these maps are distributed free to government Departments, schools and to other semi-public or public organizations. Maps to the general public are sold approximately at cost, the revenue for the fiscal year 1937-38 being approximately \$10,400.

THE ENGINEERING AND CONSTRUCTION SERVICE

This Service acts as an engineering unit to the various branches of the Department. Its main duties are: To prepare estimates, plans, and designs covering construction activities; to maintain various services such as electric light, water, sewer, and telephone systems in National Park areas; to construct and maintain highways and to design and construct buildings and other works as may be required by the Surveys and Engineering Branch and other Branches of the Department.

The work undertaken by this Service in Dominion areas such as National Parks and Indian Reserves is purely federal in character and is a Dominion responsibility. Such works are undertaken under authority of the National Parks Act of 1930 and the Indian Act.

Work undertaken outside Dominion areas and in provincial territory by the Engineering and Construction service of this Branch of the Depart-

"ment is covered by special agreements with the provinces, duly approved by the Governor in Council.

The Golden-Revelstoke section of the Trans-Canada highway in British Columbia, which is being constructed by the Dominion through the Surveys and Engineering Branch of the Department, is authorized under an agreement with the province of British Columbia approved by P.C. 2235 dated September 2, 1936. The total amount spent by the Dominion Government on this highway to date is \$2,581,173. Prior to the agreement between the Dominion and the province of British Columbia effected in 1936, the province had made some expenditures on that section immediately north of Revelstoke.

The Dominion, through the Department of Mines and Resources, has contributed towards the improvement of provincial highways in order to stimulate tourist traffic to National Park areas, such contributions and necessary Dominion supervision are covered by agreements with the provinces concerned. The Dominion's contribution to the Kingsgate-Kootenay Park approach road in British Columbia is provided for by an agreement with the province of British Columbia which was approved by P.C. 1722 dated July 9, 1936. To date the Dominion has expended \$229,393. on this approach road. The Dominion's contribution to bituminous surfacing of the main tourist route between the International Boundary at Waterton Lakes Park and the east gate of Banff Park, via Calgary, is

"provided for by an agreement with the province of Alberta which was approved by P.C. 1516 dated June 24, 1937. In the year 1937-38, the Dominion Government expended \$51,675 on this road.

The administrative cost of the Engineering and Construction Service in 1937-38 was \$135,000.

INDIAN AFFAIRS BRANCH

The Indian Affairs Branch supersedes, and performs the duties and functions of the former Department of Indian Affairs.

Under the British North America Act the legislative authority of the Parliament of Canada extends to all matters pertaining to Indians and Lands reserved for Indians, (B.N.A. Act, S. 91-sub.-sec 24).

Such matters have been held to include the social services such as health, welfare, education, etc., which for other residents generally are administered by provinces and municipalities. All matters pertaining to Indians and Indian Lands are regulated and administered under authority of the Indian Act (R.S.C. 81).

MEDICAL SERVICES

Medical Services to the Indians comprises medical attendance and hospitalization, child welfare, field nursing, and general health services. The Service is conducted under the Superintendent of Medical Services through a small headquarters staff and a Dominion-wide staff of physicians, nurses, field matrons, and dispensers.

Public health regulations applicable to Indian Reserves are those of the provinces in which the

"Reserves are situated. These regulations are administered by the Indian Agent with the advice of his medical officers.

No separate Indian hospitals are established especially for tuberculosis or mental patients. These are admitted to provincial hospitals of this type, the cost being defrayed by the federal government. In diagnostic work for tuberculosis facilities of existing provincial organizations are employed insofar as they can meet the demand.

In remote places the cost of maintaining salaried medical officers and nurses is shared with some of the provincial governments.

Expenditures made for Medical Services to Indians in the fiscal year 1937-38 were \$996,000 exclusive of band funds (approximately \$54,000).

EDUCATION

To provide education facilities for the Indians the federal government has established 275 day schools and 80 residential schools which are under joint control of the Branch and various religious denominations, viz., 21 Anglican, 2 Presbyterian, 44 Roman Catholic, and 13 United Church. In 1936, total enrolment in all schools was 18,297 of which 9,040 were in residential schools. In certain localities where the number of Indian children is too small to warrant an Indian school the children are sent to white schools, the tuition being paid by the Department. In a few cases white children attend Indian schools when accommodation is sufficient. In all cases the curriculum and text books authorized by

"the provincial authorities of the province in which the school is situated are used.

In the provinces of British Columbia and New Brunswick, owing to the remoteness of many of the schools from settlements, special Departmental inspectors regularly inspect the schools; whereas in the other seven provinces provincial inspectors inspect the schools. In all cases the pupils write the provincial examinations and if successful secure provincial standing in the public and high schools.

Cost of Indian education and training in 1937-38 was \$1,827,000.

RELIEF AND WELFARE

Indian relief is administered by Indian Agents, as directed by the central office and under the supervision of departmental inspectors stationed in the various provinces. Relief consists of purchase of necessities for aged and destitute Indians and the purchase of hunting and trapping equipment to assist Indians to earn their own living. Particularly in seasons when there is a scarcity of fish and fur-bearing animals, need for relief is most urgent in outlying districts.

Cost of Indian relief and welfare in 1936-1937 was \$1,094,500 plus Band funds (approximately \$500,000).

INDIAN LANDS AND TRUSTS

The federal government assumes full charge of administration of all Indian Lands, comprising land surrenders, sales and leases, location tickets

"and land patents; issues permits to trade and hunt on reserves, deals with questions of rights of way, boundaries, reclamation, and development; disposal of timber on reserves; and all matters pertaining to Indian Trust Funds, annuities, and interest, loans to Indians under the Soldier Settlement Act, as well as band membership, estates, and enfranchisement are under Branch administration.

At the end of the fiscal year 1936-37 the capital of the Indian Trust Fund amounted to \$13,997,644.

Total area of Indian Reserves--5,092,591 acres.

A number of Indians in the northern part of the Dominion have not been allocated Reserves and still lead a nomadic life, depending almost entirely on fish, game, and furs for their livelihood.

In all, the federal government expended during the fiscal year 1937-38 on behalf of the Indian population \$5,025,000, exclusive of band funds."

THE ACTING CHAIRMAN: That would include all the amounts dispensed for local services, such as relief and welfare services, that is the total amount, is it?

DR. CAMSELL: Yes, that is the total amount.

Continuing to quote:

"During the fiscal year 1936-37 total expenditures exclusive of band funds, by provinces and population were:--"

The table follows, which gives the Indian population of each province according to the 1931 census. It also gives the amount expended by the department in each of these

provinces during the last fiscal year. I shall not read it, as you have it before you, but I will continue with the reading of the brief:

IMMIGRATION BRANCH

"The Immigration Branch supersedes the former Department of Immigration and Colonization created in October 1917.

The Branch is responsible for the administration of the Immigration Act and Regulations; the Chinese Immigration Act and Regulations; and all matters related to the encouragement of immigration, the inspection of immigrants, tourists, and other travellers seeking entry to Canada, the exclusion of prohibited and undesirable classes; the deportation of undesirables, and all general matters relating to colonization in Canada.

The work of the Branch overseas is at present largely inspectional, offices for this purpose being maintained in the British Isles, Continental Europe, and at Hong Kong. By this means the fitness of immigrants is largely determined before they leave Europe or Hong Kong. The work done does not overlap the functions of any of the provincial governments. For many years, the provinces of British Columbia, Alberta, Ontario, Quebec, and Nova Scotia, maintained Agents General in London and carried on some immigration propaganda. These officers, with the exception of that of British Columbia, have all been closed.

The work of the Immigration Branch in Canada relates mainly to the administration of the Immigration Act and Regulations; no provincial

"organizations exist for any of this work.

Certain restrictions of the Immigration Act and Regulations apply alike to persons of all races and nationalities, such restrictions having to do with mental and physical health, character, and literacy. Other restrictions do not apply alike to all. The passport regulation, for example, does not apply to any class of non-immigrants who are British subjects coming to Canada from Great Britain, Northern Ireland, the Irish Free State, Newfoundland, New Zealand, Australia, the Union of South Africa, or the United States of America, nor does it apply to United States citizens. Regulations are made and changed from time to time by Order in Council. The most important restrictive regulation now in effect is known as P.C. 695 which limits immigration to:

1. British subjects from Great Britain or Northern Ireland, the Irish Free State, Newfoundland, New Zealand, Australia, the Union of South Africa, and the United States of America, who have sufficient means to maintain themselves until employment is secured.
2. American citizens entering Canada with sufficient means to maintain themselves until employment is secured.
3. Wives and unmarried children under 18 years of age, joining family heads legally resident in Canada, who are in a position to receive and care for their dependents.

- " 4. Farmers bringing with them sufficient capital to begin farming in Canada.
5. Fiancees of adult males legally resident in Canada who are in a position to receive, marry, and care for intended wives.

Asiatic immigration is controlled by special legislation, regulation, or arrangement. Apart from Chinese who are dealt with under separate legislation and Japanese nationals whose entry is governed by an arrangement, the only Asiatic immigrants admissible are the wives and unmarried children, under 18, of Asiatics resident in and citizens of Canada.

The number of immigrants entering Canada since 1925 is as follows:"

The table follows, but I will have to replace it with another table which I will give you. This table gives the number of admissions, the number of rejections, the number of non-immigrants, as well as the total of these three columns, for the years 1929-1938.

The number of people admitted to Canada since the peak year of 1929 has fallen sharply. In 1929, there were 163,288 admissions into Canada, while in 1936-37, there were 15,645.

<u>Year</u>	<u>Admis- sions</u>	<u>Reject- ions</u>	<u>Non-Immi- grants</u>	<u>Totals</u>
1929-30	163,288	25,037	32,402,431	32,590,756
1930-31	88,223	39,917	33,372,921	33,501,061
1931-32	25,752	37,191	29,779,721	29,842,664
1932-22	19,782	29,168	23,296,833	23,345,783
1933-34	13,903	19,072	20,898,225	20,931,200
1934-35	12,136	14,641	22,773,181	22,799,958
1935-36	11,103	12,486	25,080,159	25,103,748
1936-37	12,023	13,425	28,935,114	28,960,562
1937-38	15,645	11,304	31,227,639	31,254,588

This, however, does not mean that the work of the Immigration branch has fallen during that time. There are more people trying to get into Canada to-day than there ever has been in the history of the country. The work of this bureau has increased.

Continuing to quote:

"Although immigration has fallen off considerably there has been a remarkable increase in the number of tourists from United States and other countries consequent on the improvement of highways in Canada and increased publicity relating to the scenic and other attractions of Canada. Last year 18,260,000 tourists entered Canada compared with 16,407,000 in the previous year.

In the inspection of immigrants, tourists, and others seeking entry at Canadian ocean and boundary ports, the Immigration Branch utilizes the services of federal customs officers as far as it is feasible to do so. There are now 225 ports of entry of which 32 are ocean ports and 193 boundary ports. At 66 of these ports of entry there is a full-time Immigration staff, although

"at a few of these customs officers are used in a minor capacity. At 159 minor ports inspection work is done altogether by Customs Officers.

The expenditures of the Immigration Branch during the fiscal year 1937-38 was \$1,343,000.

The foregoing briefly describes the duties and functions of the Department.

On December 1, 1937, the staff necessary for the carrying on of this work consisted of 3,705 persons. The departmental establishment provides for 3,771 positions. The establishment and

distribution of personnel by branches is as follows--

The table follows, giving the five branches, that is the administrative branches, and indicates the permanent, and temporary positions, as well as the total number of positions. It indicates the vacancies at the moment, and the total number of positions now unoccupied. The totals are: for permanent positions, 2,046, temporary, 1,725. This makes a total number of positions of 3,771. The vacancies number 66, so that the total occupied positions number 3,705.

This, Mr. Chairman, completes the brief. You will appreciate, I think, that there is a great variety of functions to be performed by the Department of Mines and Natural Resources. It is obvious that it would be impossible for me to answer every question which will be asked of me with regard to those functions. It is for this reason that I would like the privilege of having these questions of detail answered by one of the directors of the branch concerned.

THE ACTING CHAIRMAN: That is quite all right; Have you any questions to ask, Mr. Stewart?

MR. STEWART: I have a few questions which I would like to ask.

BY MR. STEWART of DR. CAMSELL.

Q. Dr. Camsell, I wish to deal, for a moment, with the Department of Mines and Geology. Some recommendations were made to the Commission in British Columbia as to the division of work between the Dominion authorities and the provincial departments. Did you follow this in the copies of evidence submitted to you? A. I read the brief submitted by the Ontario Government.

Q. This was British Columbia? A. I read that, too.

Q. I am sure the Commission would like to have your opinion on the advisability of the suggestions which were made. In Ontario, I think it was suggested that the Geological Surveys be made by the province and that some saving could be effected by this. A. In that connection, I gave you, in the first place, a historical background of the Mines and Geology branch. The Geological Surveys are arranged in the early spring by correspondence or direct contact with the provincial officers concerned. In that connection, there are only two of the provinces in Canada in which Geological branches have been established. These provinces are Ontario and Quebec. The province of Ontario this year, I think, is sending out seven geological parties, and the province of Quebec almost an equal number. Before these programmes, that is our programme and their programme, were finally decided upon, our programme is submitted to the provincial authorities for suggestion. It is submitted to all the other provinces for their suggestions. Generally, in those two provinces of Ontario and Quebec, our geological

surveys are divided along these lines: the province of Ontario arranges to conduct these surveys in those areas where mineral development is going on or where it is hoped mineral developments might take place. The province asks us to do the general areal survey of the whole province. The same thing, to some extent, prevails in the province of Quebec. In the other provinces of Canada, there are no geological surveys, so our department is bound to do all the survey work. This is true in the western and maritime provinces, that is all the provinces with the exception of Ontario and Quebec.

Q. Would there, in your opinion, be a saving, without loss of efficiency, if the whole of the geological surveys were done by the Dominion by your department? A. Generally, that is the case; I mean, where you have consolidation of functions under one body, there is generally a saving. One has to maintain a variety of men in a branch such as this. There are various branches, even of a geological survey. There are economic geologists, as well as historical geologists. The province is really only maintaining a geological staff which is composed of economic geologists. If the province has a problem in the palaeontology branch of the geological work, the provincial staff passes it on to our staff. They send the specimen to us for identification and report.

(Page 9632 follows)

Generally from the point of view of economy in preparing a geological map of the Dominion of Canada, certainly it would be much more efficient and effective to have that done by one organization because geology does not stop at one provincial boundary, it runs from one province to another. The difficulty I see in the contribution of eight or nine geological surveys in the Dominion of Canada would be the difficulty of correlation between one province and another in the geological conclusions.

Q. Are your surveys adequate for the purposes for which Quebec and Ontario require surveys? A. No, that is the trouble. The demands for field work on the part of the public in this country are far greater than the Dominion can accomplish.

Q. You do not recall the details of the recommendations made by the Province of British Columbia? My recollection is primarily it was a recommendation that the Dominion do the air work and leave the remainder to the province to do?

A. That was the air mapping work?

Q. Yes. Perhaps you do not care to express an opinion on that? A. No, I would have to refresh my memory with regard to it. But if I remember it rightly, they advocated doing the topographic mapping of the province, with the help of the Dominion; that is to say, the Dominion would contribute to the province and the province would carry out the topographical surveys.

Q. I think that is correct? A. Well, I am afraid I have not here the analysis which was made as to that.

Q. Perhaps it would be possible, Dr. Camsell, to refresh your memory in respect to that and let us have the benefit of your views on it to-morrow morning? A. Yes.

Q. There are one or two other points that came out. On pages 6 and 7 you refer to the modernly equipped ore dress-

ing and metallurgical laboratories which are maintained for the test and investigative work on all classes of metallic ore and minerals, and on metallic mineral products, and so on. Is there any duplication by the provinces in maintaining such equipment?

A. No. The only organization other than our organization at Ottawa, carrying on technical investigation of that kind, the Ontario Government established a plant in Cobalt, testing laboratories. They accepted shipments of ore and recovered the metal from them. These laboratories that we have here for ore dressing are designed for the purpose of working out processes of recovery. That is primarily their object.

Q. More for investigation and research? A. Yes, recovery of metals from the ores.

Q. The various provincial governments carry out a certain amount of assay work, do they not? A. Yes, they do. Well, we do not go into that field except to this extent that perhaps samples are sent into us for assay, and we can perform that sort of work at considerably lower than the charge made for commercial assays.

Q. On page 11 you speak of the transportation facilities into mining properties, and refer to the joint expenditures on account of these communication facilities being borne two-thirds by the Dominion and one-third by the provinces. Does your Department exercise any supervision over the work itself? A. Yes, we have inspectors in all provinces who inspect the work to see that the terms of the agreement with the province are carried out. That is to say, we do not have those inspectors for the purpose of determining how much gravel and rock goes into a completed road, but to see that the terms of the agreement with the province are carried out; for example, that a certain percentage of unemployed are being used on these projects.

Q. Each project is carefully studied before the agreement is entered into? A. Yes, the projects are presented to us by the provincial authorities as being, in their view, worthy of being assisted. When they come to us we also analyze them and have to be satisfied that those projects are worthy of being rendered assistance, and not until then is the assistance given.

Q. Does your Department have an audit apart from the Auditor-General's Office as to expenditures? A. Yes.

Q. There is a doubling up there. On page 12 you refer to the work of the Lands, Parks and Forests Branch. You include among other functions assistance rendered in the encouragement of tourist travel. Just what functions are carried out in that respect? A.

MR. GIBSON: We work very closely in co-operation with provincial and Dominion bodies who are engaged in encouraging tourist travel. Our interests, of course, are particularly the National Parks, the Northwest Territories, and the Yukon. We do not have very many tourists in the Northwest Territories, but in the Yukon they want tourists and, of course, the National Parks live by the tourist traffic. We have maintained close co-operation with the railway companies, with the Canadian Travel Bureau, and with the provincial Travel Agencies. As you know, the Travel Bureau has an annual conference at which all those engaged in the tourist business come to Ottawa for conference, and we are very careful to lay out our work so that each person's activities supplement those of everybody else. We have our specialities which are, of course, motion pictures, park lectures, stories about parks, and colored lantern slides, and the like, the idea being to have people who are public-spirited do a lot of work for us for nothing when supplied with the equipment. It is surprising how much public-

spirited people can do in attracting desirable tourist travel to Canada. We found when we started out that it was a good idea to educate our own people because they could do a great deal of work for us, and the results have been very very satisfactory. We find that all over the world newspapers are repeating the stories about our National Parks, taking the pictures that we sent to them and going to the extent of having them reproduced in their columns. All of this, of course, aids in the tourist travel. We are well aware of the fact that there is a Canadian Travel Bureau. They give us a great deal of help; Park views are featured in the advertising of the Canadian Travel Bureau and we help them in answering the inquiries received about territories or National Parks, the NorthWest Territories and the Yukon.

Q. Do you think there is any overlapping resulting from the activities of your branch, or duplication of effort?

A. Well, as far as the Bureau of Northwest Territories and Yukon Affairs and Federal Land Registry, are concerned, there is no question of overlapping with provincial services. In the administration of the National Parks, there is no overlapping of provincial activities because the Dominion has full authority over defined areas. Several of the provinces maintain provincial parks of various types, but the fact that some provinces are now buying back alienated lands in order to present them to the Dominion for the creation of National Parks is evidence enough of the appreciation of the necessity for National Parks, not only for the enjoyment of our own people, but also as an attraction to tourists.

Preservation and marking of historic sites which are certified by the Historic Sites and Monuments Board to be of national importance is naturally a Dominion function.

In the administration of the Migratory Birds Convention Act the efforts of provincial game officers, the Royal Canadian Mounted Police, and National Park wardens are supplementary to each other, but cannot be said to overlap.

With respect to the work of the Dominion Forest Service, it is considered that there is no overlapping with provincial activities. In the field of forest products research the provinces do no work and the question does not arise. Other work of this service - - in economics, silvicultural research and fire protection research - - is carried on expressly for the purpose of making information available to the provinces and to industry. It is true that a relatively small amount of similar work is done in two or three of the provinces, but care is taken to ensure that projects taken up by the Dominion are those of practical concern to industry and that full use is made of any information obtainable elsewhere, either from governmental or industrial research.

Now, I might say in that connection that we have in our Department, not only in this branch but in other branches, a very useful contact with similar services throughout the world. Information is brought in from all quarters and is analyzed most carefully by men specially skilled in these sciences. When there is an idea which seems to be one that may apply to Canada, to Canadian problems, we take it to our laboratory or to our field research station and try it out there in a modest way, measuring the interest of industry and of the province in which the experiment is being held. I might say we are very much encouraged by the interest we attract and, as the experiment is carried on and developed we find quite often that it is adopted by one of the provinces or one of the industries and they go ahead a lot faster with it than we could with our limited means.

But that is just what we want, we want them to take it on, then we can pull out of that field and start in another field which is yet to be developed.

Q. Turning for a moment to page 21, the Federal Land Registry, without loss of efficiency could not that service be dispensed with and the provincial land registration used?

A. Now, that is just what we are trying to do. Our difficulty of dispensing with it I think is this; most of these lands were originally at strategic points from the standpoint of national defence. You cannot give a clear title to them without putting in a reservation, so that it was decided some time ago that as times were not particularly good we would not settle those lands but lease them at about 6% of their value annually. Then there are pieces of Dominion land, there is some little technicality which is holding up the transfer to the province, or the sale of the land. In some cases there is an advance under the provisions of the Soldiers' Settlement Board, and that land is not clear, and they have to settle whether the Soldier settler is going to earn his patent or the land is going to return to the Board. On the other hand, I might say that the need for a Federal Land Registry does not entirely disappear, because we found some years ago that when the Dominion wanted land for some public work they often went out and bought a piece of land when they actually owned a piece in the vicinity. And so we found it necessary to register all Dominion-owned land, and now if there is a public work contemplated they can go to our Federal Land Registry and find out whether the Dominion actually owns a piece of land there or not.

Q. On page 28 you refer to certain investigatory work carried out, including maintenance of stream flow measurements and allied records from coast to coast in co-operation

with the provinces. Would there not be more economy if either the Dominion or the provinces retired from that field, Dr. Camsell?

MR. WARDLE: The arrangement with the provinces in regard to control is such that not one dollar is duplicated and no work is duplicated in any way. There is close co-operation between the Dominion organization and the various provincial research organizations. Each one has a certain defined function to perform, and all work either in the field or in the office is laid out for either the one organization or the other. To explain that I might say the Dominion has accepted responsibility for water reports and hydrometric reports on National schemes, and getting information on waters that are navigable. The provinces accept responsibility for getting water information necessary for the administration of their own waters, the power, irrigation, sanitation and so on. The costs of these various works are borne partly by the provinces and partly by the Dominion. The Dominion has certain gauge metres on international schemes for which the Dominion pays. The provinces have gauge metres in streams that are peculiarly of interest to the province, for which they pay. The Dominion collects the basic information, and the provinces pay the Dominion in annual contributions certain sums to pay their share of the work done by the Dominion, which is of value to the province. The object of the arrangement is to get basic information of water resources in each province, and which can only be done properly by central organization because nearly every stream we have is interprovincial, and many of them are international. No one province can get complete information on any one stream; it rises in one province and flows through another and flows into some lake in a third province. So that the Dominion is in a position

to correlate all this information and make it available in reports so that it is readily available to anyone who is interested.

Q. I was not suggesting by my question that there may be overlapping or duplication, but rather than have two organizations in the field could not the whole thing be done more economically by one organization in the field?

A. That is not our opinion. There must be one organization which will have access to all records relating to water resources; rivers rise in Alberta and flow through Saskatchewan and into Manitoba, there must be uniformity in measurements, there must be uniformity in working out the measurements. As some of these streams are international, the Dominion must assume the responsibility, so that if there is one organization it would look on the face of it that it must be a Dominion one. Yet on the other hand if the provinces are going to undertake it, do all the work, they could not get the same co-operation or probably would not have the same machinery.

Q. I notice on page 30 you refer to the Engineering and Construction Service, that this Service maintains various services such as electric light, water, sewer and telephone systems in the National Park Areas. Are those maintained apart from the facilities which are available in the district generally?

A. Those are services for settlements and towns in those vicinities which are administered by the Dominion.

Q. On page 31, "The Golden-Revelstoke section of Trans-Canada highway in British Columbia, which is being constructed by the Dominion through the Surveys and Engineering Branch of the Department", is that being done entirely at the expense of the Dominion Government?

A. At the present time the Dominion is bearing the entire cost of completing that project. It was started as a provincial

project and then the Dominion assisted, and now the Dominion is bearing the cost completely.

Q. Is that the only portion of the Trans-Canada highway that is being carried on at the sole expense of the Dominion?

A. There are eighty-eight miles of the Trans-Canada highway in Banff National Park, wholly Dominion responsibility.

Q. But this is the only part that is under provincial jurisdiction?

A. That is the only other part that the Dominion is bearing the whole expense.

Q. Dealing with the Dominion Indian Affairs Branch, the suggestion has been made on more than one occasion that the services for segregation of tubercular Indians is inadequate?

MR. MCGILL: That is true to quite an extent. It depends, of course, what they mean, whether they refer to the segregation of all tubercular Indians. In several provinces we find there is a shortage of measures available for the care of Indians.

Q. Evidence has been submitted that the death rate among Indians from tuberculosis is approximately eleven times that among the white population?

A. I think perhaps that figure is fairly close to the truth.

Q. And in no case does your Branch maintain any hospitals for Indians exclusively?

A. I am afraid I will have to dissent from that.

Q. There are some?

A. Yes, we have about eight or nine Indian hospitals.

Q. For tuberculosis?

A. No, not for tuberculosis.

Q. That is what I had in mind?

A. That is given in our brief, that we have no separate Indian hospitals especially for tuberculosis. We have been dependent on the provincial institutions to take care of tubercular Indians, but we may have to build.

COMMISSIONER DAFOE: Do they admit the Indians into the provincial sanatoria?

MR. MCGILL: Yes, if they have the space available.

BY MR. STEWART: Q. Outside of one or two provinces is there space available? There are only one or two provinces in Canada that have adequate bed accommodation?

A. We have been able, up to the present, to find space for everybody for whom we have funds to take care of. We have not been refused.

Q. I would take it from your statement that perhaps sufficient funds are not available to look after the cases that have been diagnosed?

A. That has been the case but we are better off at the present time. I am sorry if I gave you a wrong answer to your question, but I cannot answer it in any other way. We have not been refused hospitalization when we had the money to pay the expenses.

Q. As compared with the work of the provincial health authorities in seeking out and diagnosing tuberculosis patients is the medical services among the Indians comparable at all?

A. We try to get men trained in tuberculosis work, if possible, for our Indians, but as a matter of fact we use the diagnostic facilities of the provincial health authorities to the greatest extent possible. I mean by that provincial diagnostic clinics - travelling diagnostic clinics are used in Manitoba and British Columbia and in other provinces.

Q. Do you think in view of the facilities available that there is as much chance of a tubercular Indian being discovered as the tubercular white person being discovered?

A. I do not think so, because in many parts of Canada the chance of an Indian being seen by any of our men is very remote. Take, for instance, the Patricia District.

Q. Can you give us any suggestion or opinion on this

point, that if the situation with regard to tuberculosis were more completely covered by the Dominion there may be a lessening in the tubercular rate among the whites in the various provinces? A. Undoubtedly it would have an effect, but whether it would be ^amarked or appreciable effect I am not prepared to say. Certainly, if you clear up infection among one class of the people it will react favorably upon others in close proximity.

MR. STEWART: I was going to ask Dr. Camsell if at any point in the activities of his Department there was either overlapping or duplication with any corresponding provincial organization. Mr. Gibson has covered it pretty well on that phase of it, but apart from that phase is there any overlapping?

DR. CAMSELL: Certainly if there is any possibility of overlapping in field work we withdraw from that field. I was thinking of a case last summer when our survey parties went into Ontario and the Ontario Government had a party in that particular field, we shifted our activities from there.

MR. STEWART: I think, Mr. Chairman, that is all I have to ask.

THE ACTING CHAIRMAN: We will file this as Exhibit No. 396.

EXHIBIT No. 396. Memorandum presented by Dr. Charles Camsell, Deputy Minister, Dominion Department of Mines and Resources.

MR. STEWART: Dr. Camsell can now answer the question about the topographic mapping in British Columbia.

DR. CAMSELL: The brief that was submitted in British Columbia contained these suggestions: First, That topographic mapping can be more economically handled by British Columbia surveyors with the production of accurate topographic maps at low cost and with the abandonment of present low class

topographic maps. In reply to that particular statement I would say this, as far as I know the only saving there would be by having the British Columbia surveyors do the survey work in preference to Dominion surveyors coming from Ottawa would be the cost of transportation. I am quite satisfied, after an experience of twenty-five or thirty years of topographic mapping in British Columbia, - I might say I did some of it myself - that the costs of surveying topographic mapping or geological surveying by the Dominion is as low as those of the provinces.

COMMISSIONER DAFOE: Dr. Camsell, in the provinces where, by the terms of agreement, the Dominion is obligated to do the geological survey work do difficulties arise between the Provincial Government and the Dominion Government as to the extent of the contribution you make? Do they want more than you give them?

DR. CAMSELL: They are always wanting more than we are able to give them.

COMMISSIONER DAFOE: I had thought from what I heard in Winnipeg and Regina that there must be some proportion?

DR. CAMSELL: Our contribution to British Columbia for many years past has been approximately 20% in money of the total amount available for geological surveys throughout the Dominion. Of course, it costs a great deal more to do geological surveys in British Columbia than it does elsewhere; it is further away from the centre and it is more difficult to get around in that province, so that it costs more in British Columbia per square mile to do geological work than it does in Eastern Canada.

COMMISSIONER DAFOE: Saskatchewan and Alberta have no corresponding claim on your services?

DR. CAMSELL: No, there was nothing included in The Natural Resources Act, in recent years, and neither was there

anything in Ontario or Quebec although, as I stated in my opening remarks, the geological surveys were started in these provinces before Confederation and at Confederation they were continued by contributions of the Federal Parliament.

To continue with the other suggestions in British Columbia's brief, it is stated that "one mile" mapping is most satisfactory for all purposes and can be done at a total cost of \$30.00 per square mile. -That is pretty expensive mapping and our policy in British Columbia has been to do mapping on the scale of four miles to the inch in the first place, followed, if necessary, by mapping on the scale of one mile to the inch. At the present rate of progress if we were to do the mapping of British Columbia on the scale of one mile to the inch, according to cases that we have worked out, it would run to something like \$14,650,000, of which the province is asking the Dominion to contribute \$10,620,000. and if we do the work at the rate we are progressing to-day it would take 211 years to complete that survey.

Then it goes on to say that if the Dominion undertakes a new extensive flying programme the present programme of the province, namely; 1500 to 2000 square miles per year, could be increased to 5000 to 6000 square miles per year. The situation there is this: That the flying which is done for photographic mapping is done by the Royal Canadian Air Force. The Department of National Defence places at our disposal 10 planes; that is to say, 5 flights for photographic work throughout the Dominion of Canada. That means that there are really only four flights available because they always keep one flight in reserve. Photographic work is applied for by various Departments of the Federal Government, by many of the provincial governments, and by private organizations, so that it has been impossible to consider anything beyond

the requirements of the Dominion Government, the Departments of the Dominion Government. We have operations going on now in the Maritime Provinces, in Ontario and Quebec, and we have recently been called upon to provide planes for photography in the drought areas of Saskatchewan. Planes are there at the moment. As soon as the weather improves those planes will go northward and will spend July and August perhaps in the Athabaska Lake Country or the Great Bear Lake Country, and in the fall they will go back and continue their mapping of the dry area in Saskatchewan. We have, therefore, only one flight for the province of British Columbia and that is required this year for work that is wanted rather badly by the Department of National Defence, so that there is no chance, as a matter of fact, of getting those planes to do anything but the work of the Department of National Defence on the coast of British Columbia. Apart from that, in British Columbia you require planes that have a higher ceiling. Ordinarily you take photographs at 10,000 feet but in British Columbia you have to go up to about 16,000 feet, and you need special cameras for the purpose. The Department of National Defence is not equipped to do anything more than supply two planes for work in British Columbia. So that unless the facilities are increased for aeroplane mapping we are doing as much as we possibly can to-day with the planes that are at our disposal.

THE ACTING CHAIRMAN: Dr. Camsell, we desire to thank you for the full presentation of the duties and activities which take a great deal of the time and expenditures of the Department. It has been of great interest and assistance to us, and we know there is no overlapping. We will adjourn until 10.30 a.m. Tuesday morning.

The Commission adjourned at 4.30 p.m., to resume at 10.30 a.m. Tuesday, May 31st, 1938.

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Canadian Dominion-Provincial Relations
Royal Commission for 1927

ROYAL COMMISSION ON DOMINION PROVINCIAL-RELATIONS

REPORT OF HEARINGS

MAY 31 1938

REPORTERS:

George Thompson
John Robertson
David Torry



OTTAWA, ONTARIO, MAY 31, 1938

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

 OTTAWA, ONTARIO, MAY 31.

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Hearing Room, Board of Railway Commissioners, on Tuesday, May 31, 1938, at 10.30 a.m.

PRESENT:

COMMISSIONER JOSEPH SIROIS...THE ACTING CHAIRMAN

JOHN W. DAFOE, Esq.)	
PROFESSOR HENRY FORBES ANGUS)	Commissioners

Commission Counsel:

James McGregor Stewart, K.C.

Secretariat:

Alex. Skelton, Esq.	Secretary
Adjutor Savard, Esq.	Secrétaire Français
R. M. Fowler, Esq.	Legal Secretary to The Chairman
Wilfrid Eggleston, Esq.	Assistant to the Secretary

FOR THE RETAIL MERCHANTS' ASSOCIATION OF CANADA:

George S. Hougham, Esq.	Dominion Secretary
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FOR THE ROMAN CATHOLIC SEPARATE SCHOOL TRUSTEES' ASSOCIATIONOF ONTARIO:

Mr. A. H. Murphy, K. C.	Counsel
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FOR THE GOVERNMENT OF CANADA:

W. J. Reilley, K.C.	Superintendent of Bankruptcy.
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Hearing Room, Board of
Railway Commissioners,
Ottawa, Ontario,
May 31st., 1938

MORNING SESSION

The Commission met at 10.30 A.M.

THE ACTING CHAIRMAN: This morning we will hear
Mr. Reilley, the Superintendent of Bankruptcy.

MR. W.J. REILLEY, K.C., Superintendent of Bankruptcy,
was called.

MR. REILLEY: I have presumed to make some comments
upon the administration of the Bankruptcy Act. In doing
so, I have tried to restrain myself as much as possible,
and make my comments very brief. It is a subject, as
I am sure you will appreciate, upon which one might expand
to an unlimited extent. I have only referred to a very
few phases of the situation because, as I say, I would
need a volume if I were to expand the subject very much.

My remarks are as follows:

" Jurisdiction over bankruptcy and insolvency
is vested in the Dominion of Canada under Sec. 91(21)
of the B.N.A. Act. While Parliament has seen fit
to enact legislation relating specifically to
bankruptcy, yet it has never presumed to deal with
problems arising out of the wider field of insolvency
except for certain specific purposes, namely the
Winding-up Act, the Companies' Creditors Arrangement
Act and the Farmers' Creditors Arrangement Act.
Insolvency Legislation.

Insolvency may be regarded as the cause while
bankruptcy is merely the state or condition result-
ing therefrom, although bankruptcy may occur where
insolvency does not exist.

It is not intended, however, to pursue an
academic discussion of the relationship of these

two subjects, but rather to indicate briefly how bankruptcy administration is affected by the fact that to the extent that the field of insolvency has not been occupied by Dominion legislation much provincial legislation has been enacted dealing directly with matters of insolvency. The presumption is that once a debtor becomes bankrupt his assets should be realized upon and the administration completed. Provincial legislation, more particularly moratorium legislation of the type of the Debt adjustment Acts of the provinces of Alberta and Saskatchewan prevents this being done. There is therefore a direct conflict of authority created as to whether or not it is within the competence of the provinces to enact legislation which can hinder and delay the operation of the Bankruptcy Act and thereby practically stay indefinitely the administration of estates thereunder. Such insolvency legislation of the provinces interferes quite extensively with the operation of the Bankruptcy Act.

Crown Debts.

In addition, provincial legislation of another nature has created a condition which is not consistent with the original intention of the Act. Under the Bankruptcy Act the rights of secured creditors are recognized. Sections 125 and 126 of the Act recognize the rights of municipalities to be preferred for taxes and landlords for rent under their statutory liens, but it is very doubtful if it were intended that the provinces would be allowed to allocate to themselves the right to establish preference by statute of every type of provincial

claim to their own advantage. The Dominion itself has generously enough allocated itself to its prerogative right solely thereby placing itself in the last category before unsecured creditors. The increasing tendency has been for the provinces following an adverse decision of the Courts to set up priority for themselves by enacting legislation that provincial Crown debts of numerous types shall in the event of bankruptcy be a first charge upon the assets of a debtor and shall have preference and priority over all other creditors of every kind or nature whatsoever."

MR. STEWART: Mr. Reilley, could you give us instances of that type of provincial legislation. I suppose the Workmen's Compensation Act would be one?

MR. REILLEY: I have set out a few instances of this later on. Continuing to quote:

"The anomaly has thereby been created of the Dominion in fairness to other more needy creditors such as wage earners foregoing the right which it could have exercised of allocating its own claims to a preferential position over all creditors while the provinces on the other hand have grasped almost every available opportunity of legislating themselves into a preferred position over even those creditors in whose favour the Dominion Government has given way. It is hardly reasonable to believe that parliament ever contemplated such a result. As an illustration, reference might be made to the Crown Timber Act of Ontario, R.S.O. 1937, Ch.36, S.32 and 33. By Section 32 Crown Dues, interest, costs and expenses and penalties and all other charges or claims are made a

a first lien or charge not only on timber standing or cut, but also upon all the property whether real or personal, movable or immovable of the person liable for such Crown dues. Section 33 further provides that on notice to a trustee he shall pay such dues, etc., in priority to every other claim whatsoever, even including the expenses of the trustee in realizing thereon.

As a further illustration of the determination to be preferred, reference might be made also to the Income Tax Act of Ontario, R.S.O. 1937, C. 25, s.37, 50,51. Section 37 provides that every trustee in bankruptcy, etc., administering the estate of any person who has not made a return shall do so. Section 50 provides that every person required by Section 37 to make a return shall pay any interest and penalties assessed and levied before making any distribution of the property which he is administering. Section 51 further provides that every trustee before distributing any assets under his control shall obtain a certificate that no unpaid assessment of income tax remains outstanding. Section 51(2) also provides that distribution without such certificates shall render the trustee personally liable for the tax, interest and penalties.

These Acts are an example of this predatory type of legislation, which is far more extensive than generally believed. Taking Ontario as an example of the attitude of the provinces in this respect enumerated herounder is a list of provincial claims which may be filed in bankruptcy estates showing the extent to which the provinces

have gone to establish preference for themselves solely by statute."

The ordinary man's conception of this matter is that when the assets come into the hands of the Trustee, there is a government claim under a few priorities which have been established. This table indicates, I think, in a way which few people realize, the number of Statutes and claims that have to be paid in priority before, as you notice, we arrive at the Trustee. A large number of these are provincial claims which are set up in priority to the Dominion.

THE ACTING CHAIRMAN: Has that ever been challenged in the Court?

MR. REILLEY: No, not as a constitutional matter.

THE ACTING CHAIRMAN: No, I mean as a matter of fact, in the settlement of some estates. Has it ever been challenged when dissolution was made according to these claims?

MR. REILLEY: There have been a number of decisions upon priorities, but the general rule has been established that statutory liens are effective. If a province establishes a lien by statute, then it takes precedent over all those claims which have not a higher title. It takes priority over the Dominion because, as a matter of fact, the Dominion has not established any claims by Statutory priority. Generally speaking, the courts have held that the province's claims take the priority which they claim for themselves in the statute and as indicated in this list.

MR. STEWART: The remedy is in the hands of the Dominion Parliament, is it not? If the Dominion Parliament amended Section 125 which affects the collection of the provincial taxation, it could remedy the matter.

MR. REILLEY: Possibly that is so, but I am merely drawing attention, as I say, to these types of predatory legislation by the provinces attempting to get in ahead of the Dominion and everybody else. I am free to say, as Mr. Stewart has remarked, that in matters of bankruptcy, if I were giving my opinion merely as a lawyer, the Dominion could set up its own priorities for every type of claim which would have to be paid under the Bankruptcy Act, no matter what the provinces had set up.

However, this list indicates the present position of things. As you will see the first item is the Income Tax Act. I have taken Ontario as an example, but I think the other provinces have very similar types of legislation. The provincial list, preferred by statute reads as follows:

1. Income Taxes - 1937, R.S.O. C.25, S.37, 50, 51.
2. Stock Transfer Taxes - 1937, R.S.O. C.29, S.22.
3. Corporation Taxes and Filing Fees on annual returns. 1937, R.S.O. C.29, S.22.
4. Ontario Hydro-Electric Power Commission - 1927, R.S.O.C.286, S.26.
5. Crown Timber Act stumpage dues and license fees - 1937, R.S.O. C.36, S.32, 33.
6. Provincial Land Tax - 1937 R.S.O. C.30, S.19.

These are all preferred by statute. Then the municipal list follows:

7. Real property taxes.
8. Business taxes.
9. Municipal Hydro-Electric Commission - light and power rates.
10. Other Municipal Public Utilities rates, water, etc.

The rest of these deal with other types of priorities established under the Bankruptcy Act which would have effect in Ontario.

Preferred

11. Debtor's exemptions - actually excluded from assets of estate by Sec. 23 of Bankruptcy Act.
12. First Execution Creditor's costs.
13. Accrued and accelerated rent not exceeding 3 months each.

I might say, by way of illustration, that a common belief exists that wage earners have priority in bankrupt estates. It is believed that a claim for wages has priority as well as a landlord's claim and a claim for taxes. I say that that is a general impression, but you will find here that these real property taxes come seventh in the list, the landlord comes thirteenth and the wage earner sixteenth. This whole matter has been confused by provincial legislation. Continuing with the preferred list.

14. Custodian's and trustee's fees and expenses.
15. Court fees and Official Receiver's fees.
16. Wages and Workmen's Compensation Board.

Next in the list comes the Federal claims by prerogative right. These are as follows:

17. Income Taxes
18. Sales Taxes
19. Stock Transfer Taxes.
20. Duty on importations.

Strange to say, you will find one tax which the province has not set up as a prior claim, and that is the gasoline tax. This tax comes after the Federal claims. Following this there comes the ordinary creditors, unsecured

COMMISSIONER:ANGUS: Is Ontario fairly typical of the other provinces?

MR. REILLEY: It is fairly typical of the other provinces, yes. I have before me a list of the same type

of legislation enacted in British Columbia. It reads as follows: The Income Tax Act, another taxing Act, the Assessment Act, the Landlord and Tenant Act, the Workmen's Compensation Act, the Succession Duty Act, the Water Act, the Municipalities Act, the Drainage, Diking and Development Act, a special Act of the Vancouver Incorporations, and a Municipalities Act.

All of these Acts contain a particular phrase which seems to have worked itself into the minds of the draughtsmen of provincial legislation. These men start out with this idea in their mind, that the claim shall be a first charge or first lien upon the property, whether real or personal, movable or immovable, this claim shall have priority over every other claim. This is found in almost every one of those statutes in some form or other.

THE ACTING CHAIRMAN: Mr. Reilley, what strikes me about this list is Item 14; I thought that item was paid before anyone else?

MR. REILLEY: That is the general impression, sir, that the trustee has this as soon as he takes over the assets.

THE ACTING CHAIRMAN: If there is only sufficient to pay up to the thirteenth claim, he works for nothing, does he?

MR. REILLEY: Yes, he works for nothing.

THE CHAIRMAN: Does it often happen that he works for nothing?

MR. REILLEY: As a matter of fact, fifty per cent of the estates wound up by trustees last year did not have sufficient to pay the trustee. There was not one cent in it for him.

MR. STEWART: In some provinces, at least, item No. 16, comes higher up in the scale, does it not?

MR. REILLEY: Item No. 16 is fixed by the Bankruptcy Act. It cannot be shifted, no matter how much the province may desire to do it.

MR. STEWART: In Nova Scotia, the Workmen's Compensation is made claim.

MR. REILLEY: It is in Ontario, as well, but by the Bankruptcy Act it is allocated to its place in the priority of claims, in Section 121. It cannot be placed in a higher position than that.

Continuing to read from the brief:

" Another factor that has created much uncertainty in the administration of bankrupt estates is with respect to the effect to be given to decisions of the Courts. Provincial Courts are vested with jurisdiction in bankruptcy matters."

There is some local confusion as to the exact interpretation of this section of the act in regard to jurisdiction. However, it appears to be the way I have indicated.

" There is no rule indicating the precedence to be given to the decision of any Court. Consequently the situation has arisen of the courts in one province declining to follow the decisions of the Courts in another province on similar questions of law and fact. Even the Appeal Court of one province in some instances has declined to follow the decision of an Appeal Court in another province. As the assets of many commercial institutions are spread over various provinces, at times it is almost impossible for trustees to allocate creditors in their proper places, and even solicitors to advise satisfactorily on questions of law. It would appear desirable that any court dealing with a bankruptcy matter ought to be bound by a previous decision of another court - as exists within each

province itself - until a higher court deals therewith, and even then that such higher courts should also be bound by decisions of courts of equal status until still a higher court rules thereon. To the end that there should not be less uncertainty on points of law, it might be desirable that some procedure be established to remedy the situation arising from adverse decisions of two courts of equal jurisdictions."

THE ACTING CHAIRMAN: Would that not be a matter for federal legislation, the province would not have anything to do with that, would it? Would it not be a matter to be passed upon by the Federal Parliament?

MR. REILLEY: That is a question, sir. The administration is under the province, the effect of the procedure of the courts is under the province and the effects which the courts decision shall have is under the province. The Dominion has not presumed to legislate in any way in regard to the effect a decision of the courts shall have anywhere in Canada. The Dominion has the Exchequer Court, of course, which has jurisdiction throughout Canada.

In the United States, in Bankruptcy matters, there are federal courts, district courts, as they are called, in every state. Consequently, there are two concurrent bodies with judicial authority over the Bankruptcy Act. In the United States the Bankruptcy Act is administered by the federal courts. Here, as it is now, -- I do not know, myself, what the solution of the problem is. The Dominion might see fit to put a clause in the Bankruptcy Act which would provide that the decision of any court in an estate matter would be binding until a higher court ruled upon the question. However, I do not believe the Dominion would do so as the provinces would be inclined to

say it was a gross interference with the rights of the province over civil procedure. It is rather analagous to the situation in which the criminal code is placed. Generally speaking, the courts, under the Criminal Code, very carefully consider the decision of courts of equal jurisdiction in other provinces. I think Mr. Stewart will bear me out in that statement.

"Municipal Institutions.

The power to legislate with respect to municipal institutions is vested in the provinces (under Sec. 92(8) of the B.N.A. Act) with the result that most of the provinces have set up a special department with a deputy minister at its head to deal with municipal affairs only. If not, municipal matters are placed under the supervision of a special branch of an existing department. While Parliament has excluded certain special corporations, namely, building societies having a capital stock, incorporated banks, insurance companies, trust companies, loan companies, and railway companies, from the operation of the Bankruptcy Act yet it has not deemed to exclude especially municipal institutions. It might be contended therefore that legislation respecting insolvent municipalities would be within the competence of Parliament. Parliament not having done so, of the provinces have themselves passed legislation for that purpose, e.g., Ontario, R.S.O. 1930, C.59. Municipal Affairs Act and C.60, Municipal Board Act: Quebec, 1931-32 Geo. V., C. 56, Municipal Commission Act. While these Acts have perhaps other purposes, yet they have the very special purpose of exercising control over insolvent municipalities. Such legislation would doubtless be held valid so long as Parliament had not presumed to pass other legis-

lation that would be overriding in its effect, but the provinces might question its right to do so. There have been only two reported cases - both in Quebec - where the question of municipal corporations being brought under the Bankruptcy Act has been considered, and in both cases it was held that it could not have been intended that they should, otherwise parliament would specifically have said so."

In order to give a clearer picture of the set-up in regard to this constitutional matter of the Dominion right in regard to municipal institutions, I have made some comparative notes of the position in the United States.

" In the United States, the same constitutional set-up exists with respect thereto, the State having jurisdiction over municipal institutions. On the ground that a national emergency existed caused by increasing financial difficulties of many local governmental units which rendered imperative the further exercise of the bankruptcy powers of the Congress of the United States, Congress, in 1934, added an amendment to the Bankruptcy Act of the United States, Sec. 80, although the relief provided thereunder was made dependent on the voluntary petition of the applicant accompanied by the written consent of the State, where necessary by local law."

These are the words in the preamble to the Act itself which set up the basis for the legislation.

"This amendment, however, was declared unconstitutional in the case of Ashton v. Cameron County Water District No. 1, 80 L. Ed. 910. The reason given was that if federal bankruptcy laws be extended to

municipal institutions the same principle might be applied to a State as well. The decision was based on the ground that Sovereignty of the State might be infringed and that since the State may not indirectly impugn the obligation of contracts, it may not directly do so by surrendering its sovereignty to the Federal Government. It is apparent that the Supreme Court of the United States found Section 80 unconstitutional on somewhat unusual grounds. Whether or not for the same reason or on any other grounds it could be said that Parliament has or has not the power to legislate is a matter for Parliament itself to determine."

"Prosecution for Bankruptcy Offences."

The existing conditions respecting prosecutions for bankruptcy offences can hardly be regarded as satisfactory. The attitude of the provincial authorities generally is that bankruptcy offences should be regarded as private matters and that the creditors at large or any individual creditor should assume responsibility for laying an information and prosecuting the charge before the magistrate. In the event of the accused not electing to be tried summarily by a magistrate and the debtor is committed for trial the Crown authorities necessarily then take the prosecution in hand. Occasionally, of course, the provincial authorities prosecute when the offence is unusually serious or is of more than ordinary importance, but generally their attitude is that bankruptcy offences should be initiated as private prosecutions by those who have been defrauded or injured.

A peculiar situation exists in regard to such prosecutions. Almost without exception sufficient evidence to establish a prima facie case can only be obtained by a very exhaustive investigation of the actions and conduct of the debtor. Naturally a dishonest debtor will make every effort possible beforehand to conceal and cover up his wrongdoing. To ascertain the facts it is necessary in nearly every case to examine the debtor and others associated with him under oath. A solicitor has to be retained who, in co-operation with the trustee and interested creditors, has to make an extensive examination of the debtor's books and records beforehand to lay the basis of a proper and thorough examination. Further the books of the debtor have to be scrutinized and

"often audited. Dishonest debtors are only too well aware that investigations and examinations are expensive proceedings and consequently see to it that little or no assets are left to bear the costs thereof. Creditors almost without exception will authorize the trustee to use any funds on hand for that purpose, but where the responsibility of all is the responsibility of none, and they are asked to advance funds pro rata with their claims for that purpose invariably they will not do so. Occasionally one or more creditors will assume the responsibility, but such cases are rare. The result is that in the large majority of cases dishonest debtors escape because there are not funds to defray the costs of an expensive investigation and prosecution. The situation, accordingly, is that unless the initiative is taken by the creditors themselves there is no investigation or prosecution, the dishonest debtor goes unpunished and others are thereby encouraged to commit similar offences.

The penal provisions of the Bankruptcy Act are contained in Sections 191 to 201 inclusive, and Sections 195 and 198 provide a special procedure by which criminal proceedings may be initiated. By Section 198 the Court is empowered to commit the bankrupt or any other person for trial, but there does not appear to be a record of a commitment ever having been made thereunder. Section 195 empowers the Court to order a prosecution in any case in which, upon the facts disclosed in the report filed by a trustee or other interested person thereunder, it is satisfied that there is ground to believe that an offence has been committed. Very few prosecutions have been

"initiated under this section during the past five years, although numerous reports have been made under Section 195 (2) during this period by trustees. The intention of the section was to provide a direct method of putting alleged dishonest debtors on trial. This proceeding of finding a person *prima facie* guilty, practically *ex parte*, and without any opportunity of his being heard is foreign to the fundamental principles on which the liberty of the subject is founded. Consequently, the judges have indicated a very great unwillingness to make orders thereunder on their own initiative. It is a very radical departure from the common law procedure in that a judge making an order raises a presumption of guilt which might be difficult to repel before an accused person can make a reply in his own defence and which might cause him considerable prejudice before an inferior court. The section, accordingly has not served the purpose for which it was intended."

In regard to that I might comment in this way, that Parliament was aware in 1932, when the amendments were added, that there was a very great problem requiring some sort of solution in regard to prosecution for bankruptcy offences. So many debtors, as the general impression exists throughout the country, escape scot -free, and there is no doubt it is only too true, due to the reasons I have mentioned. And Parliament thought they could get around that by giving the Bankruptcy Judge power to make an order committing him for trial on the report of the trustee. Well, it just has not worked out the way they thought it would, and it is practically a nullity. So that at present the situation is much as before.

COMMISSIONER ANGUS: Can you say offhand what the pro-

cedure is in England in the case of similar offences?

MR. REILLEY: The procedure in England is that the matter is investigated by the Crown authorities under the Bankruptcy Act and in the Department of Bankruptcy under the Board of Trade they have a special officer who is specially qualified to look into all these problems or questions that come up, no matter where, throughout the country; and make an investigation. As I noticed in his report some time ago,-- very often I can read between the lines myself, and see dishonest dealings where even a trustee may not have done so, and bring them to justice, and he prosecutes, himself. He has the right to bring them into Court and prosecute independent of the trustee or any creditors or anybody else. As a matter of fact, he takes the burden almost entirely of all prosecutions there.

COMMISSIONER ANGUS: And there the Statute is not open to the objection of judging a person prima facie guilty; the Judge does not pre-judge the case at all?

MR. REILLEY: He does not pre-judge the case at all.

MR. STEWART: The attitude of the provinces toward prosecution under the Bankruptcy Act is generally the same as their attitude toward offences in the nature of fraud or embezzlement, is it not?

MR. REILLEY: Well, I do not want to be known as critical of the provinces' attitude, and if I say very much it may seem I have that attitude, But I do not think that is hardly the case because in cases of fraud, where it is an individual fraud there is someone who is anxious to press the matter, and all he has to do is go and see a Crown Attorney and lay the charge and they get on with it. In some cases they will ask him to prosecute privately, -- that is, that the complainant will have the burden of prosecuting until the committal is obtained. But it depends, of course,

on the seriousness of the crime. In bankruptcy unless an offence is serious enough that the Crown feels that if we do not take this up we are going to be criticized, why, they are reluctant to do so. For instance, we had an illustration in the newspapers yesterday of a case in Toronto where a man, a trustee, was found guilty of embezzlement of a very substantial sum. The Crown took up that case and laid the information. In another case, in which I expect the accused is coming up for trial to-morrow, in Montreal, the Crown declined to take up the case, and it is a similar offence, the embezzlement of funds by a trustee to a very substantial amount, \$20,000.00, which to the ordinary person would seem an offence which the Crown ought to take up, in any case. But in that case they declined to do so, and, as the creditors could not do so,--the trustee had embezzled money -- they had to get a new trustee and he was not going to put up funds to prosecute. So that my own Department had to take the responsibility of instructing a Counsel in Montreal to look into the matter and, with the aid of the R.C.M.P., lay a charge, and so it proceeded. But the situation is rather unsatisfactory.

MR. STEWART: This brief will be filed as Exhibit No. 398.

EXHIBIT No. 398. Memorandum filed by
the Superintendent
of Bankruptcy.

COMMISSIONER DAFOE: Mr. Reilley, have there ever been conferences between the law officers of the Dominion and the law officers of the provinces to consider and discuss this matter?

MR. REILLEY: Not so far as I am aware, Sir.

COMMISSIONER DAFOE: It has never been considered as a matter of consideration by the joint authorities?

MR. REILLEY: Not that I know of; not in my time, dur-

ing the last five years since I have been superintendent.

COMMISSIONER DAFOE: I suppose it would be a fair inference from what you say that perhaps the necessity for consideration along those lines is well established?

MR. REILLEY: It is, undoubtedly, I think. But it is just a question, as you know, the difficulty of getting some movement or some action on the matter.

COMMISSIONER DAFOE: The Dominion apparently has been acquiescent, whereas the provinces have proceeded to themselves declare the priority of rights until the Dominion exercises its overriding power, which I presume it has?

MR. REILLEY: I thought you were speaking, Sir, of the prosecution.

COMMISSIONER DAFOE: No, I am talking about the priority of rights.

MR. REILLEY: No, there has never been a conference on the matter at all because the provinces have more or less taken the attitude of, what we cannot get to-day we will get to-morrow by amending our legislation to help us.

COMMISSIONER DAFOE: Do you think the provinces would admit to themselves that they only exercise this power because the Dominion has left the field open?

MR. REILLEY: I think we would be obliged to do so; I do not think there is any question whatever, at least in my mind, that the Dominion could set out in one section of its own act how every claim shall be paid no matter who or what it may be.

THE ACTING CHAIRMAN: That would probably lead to recourses to Courts.

MR. REILLEY: Perhaps, but of course my own opinion would be that the Dominion Legislation must prevail. It has been established in other cases that they have complete authority over bankruptcy and insolvency, and that they can

say how money shall be distributed.

THE ACTING CHAIRMAN: I suppose you refer to *Cushing v Dupuy* and *Larue v Trudell* (re Belanger) and *The Royal Bank of Canada*, both decided by the Privy Council. It is an entirely different proposition.

MR. REILLEY: Yes.

THE ACTING CHAIRMAN: Mr. Reilley, what means of control has the Department over trustees; not in law but in fact?

MR. REILLEY: Well, I have to find my control in fact as I have it in the act in law. But strangely enough, it is so general and so vague and ambiguous that I do not know myself what my powers are, but I have tried to exercise them in another way. Section 36-40 gives certain office duties; and 36-A, 3-E, says "shall from time to time make or cause to be made such inspection of the administration of estates as he deems expedient". The word "expedient" is very general, as you know, when you want to make an interpretation of it. And then in connection with the licensing of trustees the trustees have to obtain a license on my recommendation to the Minister. The Minister can approve or disapprove, of course, but I have endeavoured to set out terms or conditions on which I say the license shall be granted, or if you infringe on these regulations your license shall be subject to cancellation. Of course, the Minister is the final authority on that point.

COMMISSIONER DAFOE: Has the license to be renewed every year?

MR. REILLEY: They have to be renewed every year. Of course, they may be cancelled in the interim if it is necessary, and that has been done. During the present year, in the last three months, we have cancelled three or four licenses for misconduct of one kind or another. It is rather

the threat of cancellation that is really the only effective control I have over them. This clause is so very general that I have tried to interpret it as best I can, to give such directions and instructions as may be deemed necessary.

THE ACTING CHAIRMAN: Thank you very much, Mr. Reilley.

MR. STEWART: The Retail Merchants' Association of Canada is next.

Mr. George S. Hougham, Dominion Secretary, was called.

MR. HOUGHAM: Mr. Chairman and Gentlemen:

The organization submitting this brief is a Dominion-wide Association and is described in the Report published by the Department of Labour on organization in industry, commerce and the professions in Canada as follows:

'The Retail Merchants' Association of Canada was organized on November 7th, 1896, and operates under a Charter from the Dominion Government. It is the largest organization of commercial men in Canada and is comprised of sixty-one trade sections of retail merchants under one Association having a Dominion Board and also Provincial Boards, district Boards, Branches and Trade sections in every Province.'

It represents broadly all classifications of retail trade, but particularly the individual or family-owned type, ranging from what is commonly called 'the corner store' to voluntary chains, as distinct from corporate chains, and including a high percentage of department stores in country towns from coast to coast.

We appreciate the opportunity of appearing before this Commission and, apart altogether from the specific subject which we wish to present, this

"Association wishes to place on record its sincere and earnest hope that your recommendations may contribute substantially to bringing about that harmony of purpose and reconciliation of conflicting interests so essential to the development of a truly Canadian consciousness.

MAIL ORDER MERCHANDISING AND THE COMMUNITY

In submitting the following study of the relationship of the mail order business to community development, we wish to emphasize at the outset that we desire to approach this subject in as dispassionate a spirit as may be humanly possible.

Upon a previous occasion, and before a Royal Commission whose terms of reference were of an entirely different character, this Association presented evidence with regard to the competitive factor as between mail order merchandising and other types which was amply vindicated by the Commission's subsequent report."

THE ACTING CHAIRMAN: Which Commission do you refer to?

MR. HOUGHAM: The Price Spreads Commission.

"This time, however, we wish to respectfully submit that, in our opinion, there is another and wider aspect of this form of merchandising which it is within the scope of your Commission to examine on the ground that the spectacular volume of business done through the mail order house and its subsidiaries is a contributory cause to some of the financial difficulties in which many of our Canadian municipalities find themselves.

The term 'spectacular' is, we submit, justified by a consideration of the percentage which mail order

"business bears to the total volume of retail merchandise business done in Canada during 1933. The figures are taken from a Bulletin issued by the Dominion Bureau of Statistics entitled 'Retail Merchandise Trade in Canada, 1933'.

Page 1 of that Report says: -

'Total Retail Merchandise Trade in Canada during 1933 amounted to \$1,776,884,000.'

It is estimated by the Dominion Bureau of Statistics that for the year 1933 (the last for which statistics on this subject are available) the total mail order business done in Canada amounted to approximately \$58,378,800.

Evidence given to the Royal Commission on Price Spreads, and referred to in the Commission's report (page 204) says, with reference to the mail order business:"

I am not going to give you the names of these companies because I want to avoid any unnecessary competitive antagonisms.

"The three largest viz. A, B, and C, Companies are multiple undertakings - - two of which do the bulk of the mail order business of the country.'

Continuing on page 205 of this Report it is stated: -

'Catalogues issued twice a year by one Company contain 588 illustrated pages and over 1,000,000 copies of each issue were distributed at a cost of approximately \$1. per catalogue.'

Evidence given before the Price Spreads Commission (page 3459) indicates that in the Toronto mail order

"division of Company 'A', the average number of sales per catalogue was 17 - the dollar volume obtained from each catalogue was stated to be \$20.

(Note: In other words, it might be assumed that if 100 catalogues were delivered in a small rural town or community, \$2,000 of business would accrue to the mail order house as a result. \$2,000 per 100 families (one catalogue to a family) means a substantial reduction in the available business to the local retail merchant and a consequent contraction of community purchasing power)

Evidence submitted to the Special Committee on Price Spreads and Mass Buying - which was the term given to this enquiry before it became a Commission (pages 2832 and 33) - shows that one of these Companies did a total of \$3,008,243, in sales in 1933 from one of its branches. From another branch it did a business of \$1,949,673. And from a third branch (which was in Western Canada) it did a business of \$4,179,853. And in that year issued 915,242 catalogues (page 2950 evidence Price Spreads Committee).

These figures, however, impressive as they are, are but a fraction of the total mail order sales for all the branches of the largest mail order house in Canada which, for the year 1933, are shown as \$35,515,000. The total volume of business, therefore, done by the companies which are described as doing 'the bulk of the mail order business in Canada' is indicated at \$44,652,769, or approximately 2.51% of the total retail business done in Canada by all types of stores.

It is interesting to note in this connection that

the evidence also discloses that \$22,075,853, of this business in 1933 came from rural communities in Western Canada; or in other words, over 50% of the total business done by these companies was derived from farming communities on the Prairies.

Since this Commission is not concerned with competitive relationships as between various types and classes of retail distribution we will try to confine ourselves strictly to a discussion of what is the effect in terms of community life.

It would seem to be in order at this time, therefore, to state that this form of merchandising constitutes a tremendous drain upon the local resources of the communities from which the bulk of the mail order business comes; and without desiring in the slightest degree to accentuate or stir up competitive antagonisms, it ought to be pointed out here and now that the firms benefiting from this method of merchandising make little or no corresponding contribution to the revenues which are the life blood of those communities.

Further, and still viewing this question as a social study, we would urge that the effect of this constant drain has been to

- (a) concentrate buying power in certain large cities at the expense of the smaller communities;
- (b) to concentrate that buying power in fewer hands;
- (c) To concentrate capital, as a natural result of the former two factors;
- (d) to concentrate the profit sucked from the entire country through the feeders established by these large organizations in the country towns through their branches and depots.

"We suggest that, apart altogether from the effect of this method of merchandising upon its competitors, the social results are that the trend towards concentration is accentuated. There is no incentive for the rising generation in our smaller towns to remain in those communities and there is, therefore a continued tendency for these young people to drift to the cities and further complicate the social problems which are so perplexing the life of all great modern cities.

The trend towards concentration is conceded in the report of the Price Spreads Commission (page 207) in which the following statement is made:

'The concentration of business in the hands of a few companies is far greater in Canada than in any other country for which information is available. In the United States in 1929 there were 17 companies operating 2,400 department stores with sales of \$1,500,000,000. The sales of these 17 organizations, however, represented only 34% of the total department store business in the United States whereas the three largest companies in Canada handle 80%. The largest single department store and mail order organization in the United States (Sears, Roebuck & Co.) had less than 1% of the total retail business in that country while in Canada one Company had more than 7% of the total retail business.'

"Is it not a fair question to ask whether such a semi-monopolistic condition in retailing is desirable in a country with such a small population in comparison with the United States, and is it not a reasonable inference that at least to some extent the presence in our commercial life of a system of merchandising which exercises so dominating an influence is an unhealthy social condition, more than offsetting any alleged economies which the system claims to have produced?"

MR.STEWART: Just for a moment, if I may interrupt. The quotation from the Price Spreads Commission Report which you quote on page 4 indicates that one mail order house had more than 7% of the total retail business in Canada.

MR.HOUGHAM: No sir. I can see where you might get that inference.

MR.STEWART: That is what it says.

MR.HOUGHAM: No, pardon me, sir. It says that one company did more than 7% of the total retail business. That means, sir, one company in all of its branches, including its mail order department.

MR.STEWART: Oh, yes.

MR.HOUGHAM: Does that make it clear?

MR.STEWART: Yes. It is quite consistent with the figures on page one.

MR.HOUGHAM: Yes. I understand how you could get that inference.

MR.STEWART: I see the point.

MR.HOUGHAM: "It may have been at one time the mail order business did effect some economies and did bring to the rural dweller an assortment of merchandise which it might have been difficult for

him to obtain locally, but surely that condition no longer obtains when transportation facilities have been so immeasurably improved.

We associate ourselves, in this connection, with a brief presented to the Special Committee on Price Spreads and Mass Buying by the Summerside, Prince Edward Island, Board of Trade, in which they say in part:

'(a) (Referring to a mail order house) ... take from our community all the profit on their goods yet contribute nothing to maintain this community in taxes or in any other way'.

Reference is then made in their brief, of course, to the absence of large manufacturing interests in P.E.I. - no mining or lumbering. Therefore it means that 'the bulk of the taxes fall upon the merchants and the farmers. The merchants maintain large stocks in well-equipped stores, and, as a consequence, pay a large town or city and provincial tax. They employ sales staffs, they pay insurance, rents. They pay advertising on which the local newspaper depends for its existence. The people that are employed by these local merchants give business to the doctors, the lawyers, the dentists, the banks, the bakeries, the garages, the lumber mill and the farmers, and, they contribute towards the upkeep of the schools, the churches and other local institutions.

It is not necessary to claim that no service has been rendered by mail order merchandising in Canada.

The point we desire to make is that such service has been rendered at the expense of community life,

the breaking down of personal relationships and loss to municipal revenues.

If the object to be sought in retail distribution is the saving of the last possible cent by mechanizing the process, why not close up the retail stores in the country towns altogether?

Reference is made here to the breakdown of human relationships and later some figures will be submitted indicating the credit facilities which have been made possible to the rural dweller by retailers in country towns, - a service which is not available through the mail order depots which require cash in advance, or at any rate, on delivery.

In the brief submitted by the Canadian Chain Store Association to this Commission some reference was made to alleged discriminatory taxation. We believe that retail merchants, with capital invested in country towns, are really the victims of discriminatory taxation since they are assessed for various types of municipal services; while the mail order houses can, and do, reach right into their trading area in most cases paying practically nothing whatever in the way of local business taxes. Where depots are established, as is the case in Ontario, the business license constitutes a very negligible proportion of the total volume of business cleared through such depots.

Our reference thus far has been general in character. We now give some specific illustrations of how these general principles work out in their local application, as revealed by surveys conducted by this Association.

The first town covered in our survey is shown by the Dominion Bureau of Statistics to have a population of slightly over four thousand people. It is in a farming district, specializing in dairying, live stock, orcharding and market gardening with one local industry which, at certain seasons of the year, employs about four hundred people.

The census of Merchandising published by the Dominion Bureau of Statistics shows that in this first community there were 75 retail establishments doing a business in that year, I think that was 1933, of \$1,079,000.

Our survey only covered 13 of the 75 referred to in the Census return. Those thirteen, however, paid taxes amounting to \$4,386.00; their total public utilities bill was \$3,659.00. They employed fifty people and upon these fifty were dependent one hundred and six others. The total payroll for this group was approximately \$30,000.00.

Over against this picture which, remember, represents only thirteen retailers out of the total of seventy-five, what do we find by way of contribution from the local mail order depot? There are two employees in that depot earning probably not more than \$25.00 per week between them, doing in that same year a business of approximately \$31,000.00 and the total business tax paid by the depot to local revenues was \$130.00.

We now present a concise picture of the second town covered in our survey.

We will take but one store in this community

because it represents an asset worth retaining from the point of view of the community. It is a local family-owned department store in the third generation carrying a complete line of householders' requirements. Its sales for 1933 were approximately \$200,000.00 and its public and store taxes were \$1,409.00. Its taxes on other property amounted to \$465.00. It paid in salaries and wages approximately \$47,000.00 and its contributions to local community welfare projects amounted to approximately \$1,200.00. Almost opposite the front door of this establishment is the mail order depot for one of the large Canadian merchandising organizations. This depot employs two people. The business cleared through this depot for 1933 was approximately \$50,000.00 and the total business tax paid on behalf of this depot was less than \$50.00.

Surely, sir, it is not unfair to argue that there is a glaring inequality in this picture which justice would seem to require rectified, and we respectfully submit that this situation can be multiplied by scores of instances all over the Province of Ontario.

We now cite two examples from Western Canada - one of which is in Manitoba and the second in Saskatchewan.

In the first town, this is Manitoba, 17 merchants are doing business using 36 employees at an annual payroll of \$30,000.00, which does not include drawings by proprietors. Their combined business and property taxes amount to \$4,700.00. Their annual sales are approximately

\$185,000.00. The second example, taken from a Saskatchewan community, indicates that the Retailers there pay business and property taxes amounting to \$79,000.00 and salaries to employees amounting to \$60,000.00. The approximate annual sales of these Retailers amount to \$250,000.00.

MR.STEWART: Is the figure of \$79,000 correct?

MR.HOUGHAM: Approximately.

MR.STEWART: More in taxes than they paid to their employees in salaries?

MR.HOUGHAM: In this community, yes. That is a larger town and my understanding of it is that it is a town that has been in very serious financial difficulties in the last few years.

MR.STEWART: It is a tremendous discrimination compared with the town in Manitoba.

MR.HOUGHAM: I notice the discrimination and it leads to the same impression in my mind. I believe this Municipality did on one occasion default on its debentures.

"Page 793 of the evidence given to the Special Committee on Price Spreads, indicates that the annual expenses of a retailer in a typical Quebec municipality would amount to approximately \$3,217.00.

Without carrying these comparisons through to their statistical conclusion, there must surely be some obvious deductions apparent - the most outstanding of which is that the local retailer doing an efficient job is most definitely a community asset. Around him and the service he renders are grouped a wide variety of community activities. One does not need to paint him as a

philanthropist to prove this point.

Surely it is not an unfair criticism of his mail order competitor to point out that no community service whatever is rendered by mail order merchandising.

Of course, it costs money to service this business, but as pointed out in the beginning of this Memorandum, this money is drawn to a comparatively few centres at the expense of the country towns.

There is one phase of this subject that is of outstanding importance particularly on the Prairies, which is that the retail merchant there has always been the farmers' friend from a credit point of view.

We were asked by the Secretary of this Commission to furnish some figures with regard to this particular subject. It will be realized, of course, that accurate returns are extremely difficult to obtain and, consequently, these statistics are offered with the natural reservations which arise from a recognition of this difficulty.

Perhaps the best statistical information which we can submit comes from Manitoba as the result of a survey made, as we understand, by the Dominion Bureau of Statistics. These figures indicate an approximate total of \$6,250,000.00 owing by the farm population to Manitoba retailers. They are divided in the following classifications:

Country stores	\$2,370,000.00
Hardware	600,000.00
Food Dealers	625,000.00
Department Stores	375,000.00
Lumber and Bldg. Supplies	960,000.00
Motor Vehicles	530,000.00
Other Retailers	790,000.00
	<hr/>
	\$6,250,000.00

Detailed figures are not available for the other Provinces, but it may be safely assumed that the above figures are typical.

I think I would like to pause here to make this statement. I had figures sent to me from Saskatchewan and Alberta, which were estimates only. One stated \$40,000,000 in Alberta and another \$38,000,000 in Saskatchewan. And I did not put them in the record, sir, for the reason they seemed to be so out of line with the Dominion Bureau of Statistics' figures of Manitoba. I can imagine they would be considerably higher for a variety of reasons but I did not want to exaggerate them. I would state that I should say the other provinces would be probably something like Manitoba, having regard to the difference in conditions during the past seven years.

COMMISSIONER ANGUS: I suppose some of these figures really represent installment buying in the case of country stores?

MR. HOUGHAM: That section would, yes. Some of the other sections would not. For instance, you might take lumber and building supplies.

COMMISSIONER ANGUS: I wonder if you could give us any idea as to whether this credit simply means that a bill is paid at the end of the month or payment is postponed ~~to some~~ like that, or whether it runs on for a period of time?

MR. HOUGHAM: I would say from my experience, having lived on the prairies, that these are credits rather than installment buying. The country merchant does not expect to get his bills paid at the end of the month. He is quite satisfied if he can get them paid at the end of the year, and is usually more than pleased if he

gets them paid at all.

"With all proper regard for the fine qualities of the farming population who have developed our Canadian West and who are still battling with adverse conditions there, it is perhaps but fair to comment that the country general store has also played a not unworthy part in that development.

The interests of both the farmer and the country storekeeper, around whom the Community developed in the past twenty-five years have been mutual; but the distant mail order house has no interest whatever in the community except as a revenue producer for itself.

One of our Members in Alberta (in replying to our questionnaire in which we were seeking information for this Commission in reference to the amount of money owing by farmers) has this to say with reference to mail order competition.

After giving information as to his own investment in property, wages paid, etc., he states:

'The Investment by Mail Order Houses ---- Nil
Credit Given Public ---- Nil
Annual Entertainment given Postmasters
in this and all over Canada at time of
Postmasters' Association Conventions by the
mail order houses. What service do the
Postmasters render to the mail order houses
for this gratuitous bribe?'

Because retailers on the Prairies are no longer able to extend this credit, the Government has had to step in. One by-product of Government intervention on behalf of the farmer is the Farmers Creditors' Arrangement Act.

In the administration of this Act the retail merchant has not even come off second-best. In scores of cases his accounts for merchandise supplied have been practically wiped out and in many more cases the adjustments made have been of such a character as to practically amount to the same thing.

Our Secretaries on the Prairies report all kinds of cases in which the retailers' accounts for merchandise supplied for the necessities of life have been discounted 50% while the debtor has been given anywhere from four to ten years in which to pay the balance without interest. The mail order house, by virtue of its 'cash in advance or on delivery' policy has assumed none of these obligations and has thus preserved its assets unimpaired.

Summarized, therefore, and in view of the facts set out in the foregoing, it is respectfully submitted that there is a glaring social inequity involved in the fact that mail order merchandising almost entirely escapes any of the community obligations payable by local retail merchants and if, as we understand, it is within the scope of this Commission to make recommendations for the elimination of taxation inequities, may we hope that your Commission would feel that it was fair to suggest that the Dominion Government should evolve some plan for the taxation of this huge volume of mail order business.

Since revenue thus collected properly belongs to the Provinces, we would suggest that the Dominion Government should pay this money to the Provinces on a pro rata basis according to the

volume of mail order business coming from each Province and that the Provinces in turn should earmark such revenue for municipal purposes.

Our understanding is that it is not within the powers of a Provincial Government to tax extra-Provincial business because that would constitute the setting up of a tariff as between Provinces, which is contrary to the spirit and letter of the British North America Act.

It would appear, therefore, that the only authority capable of remedying this inequity would be the Dominion Parliament and if the justice of our claim is recognized it surely will be within the ability of the Officers of the Department of National Revenue to find ways and means of working out such a policy.

We now turn to another phase of the effect of the corporate system of merchandising which we submit indicates a taxation inequity. That this form of merchandising has assumed tremendous proportions in Canada is already a matter of record in the report of the Price Spreads Commission, from which quotations have already been made.

It will be in order, we submit, to again at this time make some reference to the brief submitted by the Canadian Chain Store Association in which that organization discusses alleged discriminatory taxation. If the term 'discriminatory' is intended to convey a difference as between taxation applied to one form of retail distribution and another, then we think that the State is a loser both in Income Tax and Sales Tax Departments because corporate

organizations in the merchandising field, with hundreds of different types of units, are permitted to wash out the profit made by their profitable branches by debiting their total consolidated balance sheet with losses from their unprofitable units.

The following illustration is taken from the report of the Price Spreads Commission:

The largest merchandising organization in Canada (page 485) has one hundred and seventy separate places of business including mail order offices, warehouses, buying offices. The organization has branches in every Province of the Dominion of Canada, except British Columbia, where mail order business only is solicited.

A detailed analysis of the operations of this huge multiple concern as set forth in the evidence of the Commission and the Committee is available for study.

It should be pointed out, however, in a general way that the company, in recent years, has lost money on many of its stores and subsidiaries.

In some of these instances the losses have been quite consistent in recent years. These losses, however, have, in some years, offset the profit of some of the larger outlets.

On pages 487-8-9 of the report of the Price Spreads Commission (Memorandum on Taxation) appears a detailed statement of the operations of this company for the nine year period from 1926 to 1934. A careful study of this table will indicate that it was certainly to the advantage

of the company and to the disadvantage of the State that they were enabled to pay their income tax on 'a consolidated balance sheet' rather than on a unit basis.

Individual stores competing with this colossal organization enjoy no such advantage. Without at this time going into the reasons why many of the units of the larger organization operated at a loss, it has been claimed by the defendants of this system of merchandising that it operates to the advantage of the consumer in lower prices.

If this were true, it would seem that in many cases these lower prices are made possible to the consumer through the operation of stores at a loss in competition with individual retailers who must either operate their stores at a profit, or go into liquidation.

Precisely the same results accrue from the methods of operation of certain chain store organizations -- detailed evidence of which is contained in the auditors' report of these organizations filed as evidence with the Price Spreads Commission.

Within recent months, in the Province of Ontario and previously in the Province of British Columbia, certain large merchandising organizations have been following a consistent policy of advertising of certain nationally-advertised trade-marked brands at either a fraction above minimum wholesale carload cost or even below that cost; a further example of the Loss Leader policy so frequently referred to in the evidence before the Price Spreads Commission and in the Commission Report itself.

We append as an exhibit attached to this Memorandum a Survey of advertising illustrating this point covering communities from Windsor to Ottawa in the latter part of March of this year. This policy has been particularly consistent in Toronto and Western Ontario and it is not hard to see that some of the companies with millions of capitalization can afford to pursue such a merchandising policy almost indefinitely, if under the consolidated balance sheet plan, they can continue to offset their profitable units with the losses sustained by their unprofitable branches.

Leaving out altogether the disastrous effect upon competitors of those organizations who have no such vast resources to call upon, it is urged that the State is the loser from a continuance of this policy.

There is another and perhaps more subtle method by which the Government also sustains a loss through the sales tax division of the Department of National Revenue.

The investigations conducted by the Price Spreads Commission revealed considerable price discrimination between the large and small distributors. Price discrimination might seem at first sight to be merely a problem as between two types of distributor. That it has much wider implications than this, however, is indicated in Chapter 7 of the Report.

In this Chapter the chain of circumstances is traced to its ultimate conclusions proving effectively that the result of this price discrimination finally places the burden upon the State.

The order is something like this. To meet prices dictated by the buyers, the manufacturer reduces his costs (the first of which is wages). A similar curtailment must take place in the plants of his competitors. This results in a general decrease of purchasing power all along the line - the ultimate effect of which is increased unemployment and mounting relief costs.

It is scarcely denied that the buyer for large corporate merchandising organizations has been able to secure unusually advantageous discounts and allowances.

These allowances are not made according to any recognized principles but merely reflect the power of the large buying corporation to impose its terms upon the vendor of the merchandise. From the point of view of the State the situation can be explained in the simplest terms. Two groups of buyers go into the market for the same quantity of merchandise. One group represents a large organization and the other group is made up of buyers for a number of individual stores.

The evidence given before the Price Spreads Commission proved that some of the large organizations secured discounts up to 30%. The sales tax on these transactions is collected on only 70 cents out of each dollar; whereas on the business resulting from the purchases of individual store buyers the sales tax is collected on the full dollar.

There is no way of determining the total amount of revenue lost to the Government through these

merchandising practices, but the evidence given to the Price Spreads Commission by competent chartered accountants and investigators proves that the total sum is colossal.

It may be contended by the defenders of such practices that these alleged economies reflect themselves in lower prices to the consumer. To the extent that such economies are made possible through efficient merchandising methods, whether by corporate or voluntary chains or skilful independents, the consumer is certainly entitled to the benefit of such economies, but our contention is that the actual savings that can be effected do not exceed from one to two per cent at the outside.

Even the most enthusiastic contender for the benefits to mankind of the multiple system of merchandising, will hardly claim that on an average their prices are more than 2% lower than their independent competitors, yet the discounts they receive from manufacturers and producers are in scores of cases many times that amount.

It is a reasonable deduction, therefore, that the beneficiaries of these unwarranted quantity discounts are the corporations themselves and it is urged by this Association that the State is consequently the loser.

It is submitted, therefore, that some general principle should be adopted in this matter and such a principle is fortunately already to be found in the Customs Tariff Act and in the Customs Act. It is known as 'the application of the fair market value principle' and has been in one form or other definitely recognized in the statute

laws of the Country since 1905.

COMMISSIONER ANGUS: Do you mean the sales tax should be levied on the fair market value?

MR. HOUGHAM: Yes. There should be some determination as to what that value is. The value should not be arbitrarily fixed by the ability of a large organization to bring down prices.

COMMISSIONER ANGUS: It practically means levying a sales tax on these discounts, does it not?

MR. HOUGHAM: That is right, sir.

COMMISSIONER ANGUS: Are any of those discounts given, do you know, to co-operative stores?

MR. HOUGHAM: Yes. You use the word 'co-operative' in what sense, sir? I am thinking of the co-operative principle, or are you thinking of the multiple chain store?

COMMISSIONER ANGUS: No. I am thinking of the purchaser getting some sort of a dividend.

MR. HOUGHAM: You mean the purchasers have invested some money in the enterprise?

COMMISSIONER ANGUS: More or less, yes. At any rate, the store is co-operative.

MR. HOUGHAM: You are really speaking of the genuinely co-operative principle, sir. I have no information on that point at all. It would be interesting to know. I do not know.

COMMISSIONER ANGUS: It relates itself to this matter, because I suppose if the sales tax were made applicable to the fair market value, it might affect stores of that character, as well as these chain organizations.

MR. HOUGHAM: I imagine it would. You could not

" We have endeavoured to outline some of the avenues through which this concentration has been effected. We desire no special privileges for the group for whom this Association speaks. We are not even suggesting to this Commission that it is any part of the Commission's duty to regulate competitive practices. It is our hope that the scope of the powers of the Dominion Trade and Industry Commission may be widened with that purpose in view, but our submission at the moment is strictly confined to the concept that one of the by-products of the inequities that we have indicated is the impoverishment of the state through the starvation of community life -- a matter which is the concern, we submit, of both Dominion and Provincial Governments and consequently coming within the scope of this Commission.

The final report of the National Employment Commission issued on January 26th of this year in Sub-section 2, page 29, recommends a system of contributory unemployment insurance. Later, in discussing its own recommendations the Commission suggests that it would be more efficient and economical to have such a plan administered by the Dominion rather than by Provincial Governments.

With the general principles of these recommendations this Association finds itself in complete agreement. Obviously, if there is any class in the community that is most quickly sensitive to the reduced purchasing power involved in unemployment it is the retail trade.

Consequently, any well-considered measure that has a tendency to increase purchasing power will have the approval of retailers everywhere.

We are concerned, however, with a certain phase of Unemployment Insurance. We have no means of knowing, of course, what may be in the minds of the present Administration with reference to any national unemployment insurance scheme, but assuming it to be along similar lines to the measure passed by Parliament in 1935, there are certain comments which we think it would be pertinent to make at this time and before this Commission.

The 1935 measure provided, among other things, for a contribution to a common fund to be made by each employee in the proportion of 25 cents per week for each male employee and 21 cents per week for each female employee. These sums were to be matched by an equal contribution on the part of the employer. Benefits were not payable from the fund until the employee's contributions had continued for forty weeks during the two year period.

In order to determine the incidence of this scheme upon the retail trade, this Association conducted a survey to ascertain:

- (a) the approximate sum that would be paid into the fund by the retail trade;
- (b) the amount that retail clerks, as a class, would receive in benefits from such a fund, bearing in mind that what is technically known as 'seasonal help' would not be eligible for benefit, because of the forty weeks' provision

Table of Employment Conditions

In this connection it will be in order to

refer to the National Employment Commission's report on phases of employment conditions in Canadian Industry of December, 1937. The Table setting out the findings of the Commission on that subject indicates that, in the retail trade, out of firms reporting 70,204 employees it was stated that 83 per cent of these employees were not seasonal.

That statement would, of course, be in line with the general retail experience. A survey conducted by the Ontario Division of this Association this year among 144 stores of different types reveals that if the 1935 legislation had been in effect during the past five years (which has admittedly been a period of restricted employment) the total sum that would have been paid into such a fund by these stores and their employees would have been \$215,727.60, and the employees who would have been eligible for benefit under the provisions of that Act would have received \$5,483.00.

Granted that this survey is a limited one but bearing in mind the National Employment Commission's table based upon over 70,000 employees, it would seem to this Association to be a fair inference that the retail trade and its employees would pay a disproportionate sum into the fund in relation to the benefits which retail clerks, as such, might hope to enjoy under such an Act.

We do not know whether it is within the scope of the Commission on Dominion-Provincial Relations to make any recommendations as to Unemployment Insurance or the sources from which funds to finance such a plan would be derived. We recognize the complexity of the question. We want to assume our proper obligations as Canadian citizens toward a

problem of such magnitude, but it would seem to us that any practicable unemployment scheme would necessarily be upon an actuarial basis and that the premium or contribution paid should as nearly as possible be proportionate to the anticipated benefits.

Further, we would welcome an inquiry into the practicability of an old age retirement fund as distinct from unemployment insurance insofar as retail employees are concerned, because it is our belief that such a plan would be of more benefit to retail clerks as a class.

All of the foregoing is offered in a spirit of constructive cooperation and respectfully submitted by

Geo. S. Hougham

Dominion Secretary

The Retail Merchants' Association of
Canada, Inc.

THE ACTING CHAIRMAN: Have you any questions to ask,

Mr. Stewart?

MR. STEWART: There are just one or two points, on page 9, upon which I would like to ask a few questions.

BY MR. STEWART OF MR. HOUGHAM:

Q. Have you any concrete or specific recommendation as to the form of tax which should, in your opinion, be applied to the mail order houses? A. If I might make a statement with the natural reservations, which result from not having the facilities to make a complete study, I will say this, sir: --

Q. I mean the type of taxation? A. Yes, I know, and I would think there ought to be a tax based upon the volume of business which comes to each house which could be calculated upon the number of catalogues as well as the

sales per catalogue.

Q. Similarly, in the matter of the Chain Stores, as regards purchasing power and the application of the sales tax to quantity buying discounts; did you have any further concrete proposal in mind? A. You mean for the purpose of overcoming quantity discounts?

Q. Or the disadvantage resulting from it? A. Not at this time, sir. I think the question of quantity discounts and all its related subjects is one which ought to be exhaustively investigated by the Treasury Department. It has been our earnest hope that as a result of the Price Spreads Commission, it would be given the power to go into all these related matters.

Q. On page 13, in dealing with the argument which is made against your submission that as a result of the mail order houses and chain stores, the consumer obtains a benefit in lower prices, you estimate that the prices are not lowered by more than from one to two per cent over an average? A. Over an average, and I think that is well supported by the figures compiled by the Census Bureau in Washington and also by our own Dominion Bureau.

Q. I was wondering whether you could direct us to the source of that information? A. May I be permitted to just briefly amplify that statement.

There has been an evolution, sir, taking place in merchandizing, as you are aware, during the past twenty years. It might well be that the organizations of which we speak had, in the early stages, by virtue of organization ability and efficient merchandizing technique, effected certain economies which, I think it would be fair to say at that time would have been more than the amount which I have mentioned. Since that time there has been a great levelling process taking place. The independents themselves

have bought cooperatively and they have -- I suppose I should not make this statement publicly -- copied some of the better ideas of their competitors. To that extent, they have bettered their process of merchandizing, so that the net result to the consumer today is reduced to the extent of the figure which I have mentioned, two per cent.

COMMISSIONER DAFOE: Although the Chain Store organizations receive tremendous discount?

MR. HOUGHAM: Yes, sir, but those discounts do not go to the public.

COMMISSIONER DAFOE: The spread of two per cent in price might be very much less than the spread in the discount. Is it not possible that the reduction comes to the public at the expense of the other concerns, that is they have to depress their price to the level which is made possible to the chain store by the larger discount?

MR. HOUGHAM: May I try to answer your question by this statement. It is popularly assumed that all chain stores are efficient and all independents are inefficient, and that the consequence of this is that the public benefits from the efficiency of the chain stores system of merchandizing. There are, however, inefficient chain stores. Witness of the fact is the food division. I will speak, for a moment, of eastern Canada. In this section there is practically only one organization making any money, one organization is rather close to the margin and the others are definitely losing money. Now then, the public is not benefiting through the loss and we do not believe -- I want to be as fair as I can and I do not want to make any exaggerated statements, but we believe it may be proved today that in the efficient merchandizing organizations, the costs approximate quite closely to the costs of the independent organizations.

Let us take the field of the food stores, particularly. Looking at this matter through the eyes of a student, it is generally agreed that the chain store organizations have built up a permanent overhead. Ten or fifteen years ago, when the came into effect, the chain store was able to effect economies by eliminating the function of the wholesaler. Today, these organizations are duplicating the services of the wholesaler and figures will prove that thekr wholesale cost is no loss than the cost of the ordinary wholesaler who serves the independent retail merchant.

COMMISSIONER DAFOE: That must limit their power for destructive competition.

MR. HOUGHAM: I did not expect to be cross examined on chain store merchandizing. If I had expected that I would have come prepared with the figures. I would say sir, if I may, that the power of the chain store in its consumer appeal is based upon its propoganda. The chain organization that has done a marvellous job in so far as propoganda is concerned, while the independent has not been able to articulate as a unit and has not been able to do a very efficient job.

COMMISSIONER DAFOE: Your suggestion that a tax should be placed upon the volume of mail order business would not of course, meet the local damage done to communities by the chain stores themselves, they are two different propositions.

MR. HOUGHAM: Well, we must admit that the chain store pays all local taxes. It assumes, at least, some of the obligations that its independent competitors are compelled to assume. If I have any criticism of the chain store method of merchandizing, it is because it has substituted for the human relationship, a mechanized relationship. I

may be very old fashioned in these things, I probably am, but I prefer a system in which people are people instead of just numbers on a time clock.

COMMISSIONER DAFOE: What was running in my mind was this, certainly we could only suggest taxation methods.

MR. HOUGHAM: Yes, that is true.

COMMISSIONER DAFOE: You have a definite suggestion here that there might be a tax on the volume of mail order business which would come back, first to the province and then be distributed by it to the municipalities. In a portion of your brief, you stress very strongly, what you consider to be the damage done to the community by the chain stores.

MR. HOUGHAM: Did I? Did you read that inference into it?

COMMISSIONER DAFOE: I read that inference, but perhaps I misinterpreted your suggestion. You suggest the chain store, in the small community, has destroyed certain things, and you classify its destruction in different ways.

MR. HOUGHAM: Yes, + think it has done something to break down community relationship.

COMMISSIONER DAFOE: I think that is clear because you point out how many stores there are in a community and the contribution they make towards the support of the community, then you contrast that with the chain store.

MR. HOUGHAM: No, I contrasted it with the mail order depot.

COMMISSIONER DAFOE: Oh yes, I drew the wrong inference.

MR. HOUGHAM: I think you will find that that is so.

COMMISSIONER DAFOE: With respect to the income tax,

it could not be isolated, you could not apply it to the chain stores and not apply it to all business.

MR. HOUGHAM: It may be true.

COMMISSIONER DAFOE: I have very strong reasons for saying that there are other aspects of business where a consolidated balance sheet is an equitable procedure and its absence would be inequitable with respect to other businesses.

MR. HOUGHAM: That might be so, but I am not familiar enough with the subject to say that the statement would not be correct. What would be your reason for saying that you could not apply it in one without applying it in another?

COMMISSIONER DAFOE: There is a general theory that the incidence of a tax should apply equally to people under the same circumstances which would be, in this case, a business which has other units of business. There are businesses other than the chain stores which have units, and if this provision was not applicable to them, it would not be equitable.

MR. HOUGHAM: I would like to get your viewpoint.

COMMISSIONER DAFOE: I have not a viewpoint, other than generally speaking, it is regarded as advisable in a tax, as between individuals or from one business to another, where the conditions covered are very much the same, that the tax should be the same. Would it not be discriminatory if it were not so?

MR. HOUGHAM: Would it not be fair to apply it to all merchandising? Is there any type of thing to which you think it should not apply?

COMMISSIONER DAFOE: I am not sufficiently posted to discuss this phase of taxation, but I know that this

provision is regarded by others as almost essential.

MR. HOUGHAM: I would be quite open to conviction on the point, if that can be proven. I would not want to have anything which was discriminatory.

What I had in mind, when I prepared this brief, was a set of circumstances such as existed many years ago. A group of individual retailers came together in the province of Ontario to pool their buying power, in order that they might meet this type of competition. They failed, for reasons we do not need to go into at the moment. It was subsequently taken over by one of the large merchandising organizations in Canada. The Price Spreads report indicated that consistently, year after year, only three out of a group of some twenty-two of those stores made any money for the company. The most of them lost money, but in the interim, it gave cheaper prices and offered competition to the local retailer which it was almost impossible for him to meet. Do you follow my line of reasoning?

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COMMISSIONER DAFOE: I can see your point very well, but I was just wondering if you made it a general principle whether it would do more harm than good. I am just questioning it, and I am seeking information.

MR. HOUGHAM: That is a subject for the economic experts. We advance the thesis, and we must let it rest upon its merits.

THE ACTING CHAIRMAN: We thank you very much for the presentation of your brief. We will file it as Exhibit No. 399.

EXHIBIT No. 399. Brief of the Retail Merchants' Association of Canada.

MR. FOWLER: The next is the Roman Catholic Separate School Trustees Association of Ontario.

Mr. A.H. Murphy, K.C. Counsel, was called.

MR. MURPHY: Mr. Chairman and Gentlemen, I have been requested by the Roman Catholic Separate School Trustees Association to present the brief prepared on behalf of the Association. Mr. E.C. Desormeaux, the Secretary of the Association, is associated with me. The brief, Mr. Chairman, deals chiefly with the rather distressing financial condition under which the separate schools of Ontario are existing at the present time, and makes certain suggestions for the alleviation of that condition. We have had the opportunity of considering the very complete brief prepared by the other educational associations and particularly the brief prepared by the Urban Trustees Association. It deals, as you remember, very completely with education generally, and to save the time of the Commission we are not referring to the matters contained therein. The representations they have made, and the facts stated by them, we are heartily in accord with. I shall not detain you long, but only to deal with one branch of the question. The brief, as you will observe,

is only eight pages in length, and with your permission I will be pleased to proceed with it.

"The Roman Catholic Separate School Trustees Association of Ontario was organized many years ago for the purpose of promoting the interest and welfare of the Roman Catholic Separate Schools of the Province of Ontario. This Association represents and is the official spokesman for 829 Separate School Boards representing 3,000 teachers and students to the number of 103,252.

In view of submissions made to your Commission by other bodies and organizations interested in education, the Association deems it necessary and advisable to place before your Commission certain facts and recommendations with respect to separate schools which may be helpful to your Commission in determining the responsibilities of the Federal and Provincial Governments towards education generally in view of present day conditions.

The Association is well aware that pursuant to the provisions of The British North America Act, education is a matter of Provincial jurisdiction and it is appreciated that the severe disabilities under which the Separate Schools of Ontario are labouring, as a result of the failure of the Legislature of the Province of Ontario to make effective, under present day conditions, the spirit and intent of the Act of 1863, is not a matter of Federal concern. It is submitted, however, that in view of the terms and conditions of the Order-In-Council constituting your Commission, the present effects and future prospects of revenue sources for educational purposes and of Provincial jurisdiction are proper matters

"for your consideration.

It is therefore obviously the duty of this Association, particularly in view of the fact that comprehensive briefs have been submitted by other educational organizations, to make available to this Commission facts with respect to the Separate School Branch of the Public School System of the province.

The facts hereinafter referred to and opinions expressed, with regard to the Ontario Separate School situation, must not be construed as disagreement with representations made by Catholic educational associations of other provinces, where, because of an entirely different situation, constitutional issues may properly be raised.

It has been submitted to your Commission that, in view of present day conditions and the increased burden placed on realty, not only for educational purposes, but for many social services, the Federal Government should assume some financial responsibility for the education of our children. If such submissions were adopted and Federal assistance, by grant or otherwise, made to the provinces for educational purposes, it is essential that the position of the Separate Schools of Ontario be understood in order that such schools may participate equitably in such benefits.

Provision for the establishment of Roman Catholic Separate Schools was made by The School Law of 1841, 45 Victoria, Chaptered 18. Between 1841 and 1863 the educational authorities of Ontario were engaged in determining the principle upon which separate schools should be supported. In consequence thereof the Act of 1863, 26, Victoria, Chaptered 5,

"was enacted and entitled 'An Act to restore to Roman Catholics of Upper Canada rights with respect to separate schools; and in the preamble recited 'It is just and proper to restore to Roman Catholics in Upper Canada certain rights which they formerly enjoyed in respect to separate schools, and to bring the provisions of the law respecting separate schools more in harmony with the provisions of the law respecting common schools.'

The said Act provided that trustees of separate schools, should have the power to impose, levy and collect school rates from Roman Catholics, being supporters of such schools, and should have all powers in respect of separate schools that the Trustees of common schools had and possessed under the provisions of the law relating to common schools.

It was further provided by the said Act, that every person paying rates, whether as proprietor or tenant, and giving the necessary notice to the effect that he is a Roman Catholic and a supporter of separate schools situate in the municipality, should be exempt from payment of all rates imposed for the support of common schools. The rights thus granted were fully recognized by the Fathers of Confederation and by Section 93 of The British North America Act such rights were guaranteed.

Separate Schools are not private schools; they are as a matter of fact, as a matter of history, and as a matter of judicial decision, public schools on a footing of equality with the 'Public Schools'.

This fact was fully recognized by the Judgment of Chief Justice Meredith in the case, Ottawa Separate School Trustees vs. City of Ottawa, 34, O.L.R. (1915) Page 630. as appears from the following quotations:

"The right and privilege which the Separate Schools Act conferred when the Imperial enactment became law, and which the Separate Schools Acts have ever since conferred, and still confers, was and is a right to separation, to separate public schools of the like character, and maintained in the like manner, as the general public schools. The machinery may be altered, the educational methods may be changed, from time to time, to keep pace with advanced educational systems. It was never meant that the separate schools, or any other schools, should be left forever in the educational wilderness of the enactments in force in 1867. Educational methods and machinery may and must change, but separation, and equal rights, regarding public schools, must remain as long as provincial public schools last, unless the Federal or Imperial Parliament, whichever may have the power, decrees otherwise.

The modern fashion of applying the short name 'public schools' to the general public schools, which were in earlier days called the 'common' or 'union schools', and more appropriately so called, and of applying the short name 'separate schools' to the particular public schools separated from the general ones under the Separate Schools Act, is no excuse for misunderstanding their true character of, all alike, public schools, maintained in the public interests and for the public welfare.'

The equitable principle upon which the said Act of 1863 was based, was approved by the Legislature, with respect to the allocation of corporation taxes, by The Separate Schools Act, 49, Victoria, (1886) Chaptered 46, whereby corporations were empowered,

"in the discretion of the board of directors, to allocate taxes for separate school purposes in the ratio of shares owned by Roman Catholics. Owing to changing business conditions, since the enactment of the said legislation, and the increase in corporate ownership of property, the said amendment has in practice, proved to be quite ineffectual. The constantly increasing cost of education, over which Local School Boards have little or no control, together with the charging of real estate with the financial burden of various social services, have caused serious embarrassment to the Boards of Trustees responsible for the administration of elementary schools.

This Association is pleased to concur in the submissions made by other educational bodies, that Federal assistance to the provinces for educational purposes, is most desirable. It is desired, however, to emphasize the fact that, in the event of any aid or assistance being granted by the Federal Government to provincial educational authorities, safe-guards should be imposed to insure the enjoyment by the Separate Schools of the province, of an equitable share thereof.

It is recognized that the serious disabilities which have arisen from the failure of the Provincial Government to implement the legislation of 1863 in a manner to make possible the enjoyment by separate school supporters of their right to corporation taxes, public utility taxes and taxation from other sources, to which they are justly entitled but in large part denied by reason of the fact that legislation has not kept pace with changing business conditions, are

"not properly, matters to be considered by your Commission. Therefore, it is not proposed to make further reference to this matter.

The greater part of the burden of taxation for school purposes is imposed on real property. Owing to changing economic conditions, the additional responsibility of providing funds to meet the cost of numerous social services, with respect to which neither the property owner nor the local municipality have little jurisdiction, is imposed on real estate. It is generally admitted that steps must be taken to relieve realty of a portion of the intolerable burden now carried. The depreciation in real estate values and the failure of citizens to avail themselves to an appreciable degree of governmental schemes to facilitate home building and home improvement, is evidence that the burden of taxation on real estate must be lessened. The investment of private funds in real property would appear to be preferable to any Government scheme of financing but real estate will not become an outlet for funds seeking investment until a fair and adequate return can be obtained. Unfortunately, due to the heavy taxation burden carried by real estate, investments in this class of security are not attractive.

A reduction in the cost of education might impair the efficiency of our educational system and it would appear that new sources of revenue within the local municipality must be discovered or Federal and increased Provincial contributions must be made for such purposes.

Notwithstanding onerous municipal taxation, for educational purposes, which obviously must in some

"manner be reduced, and a system of Provincial Government grants, the elementary schools of the Province require additional financial assistance. This is more particularly the case with respect to the Separate School Branch of the School System, owing to the failure of the province to implement the said legislation of 1863, as hereinbefore indicated, and the burden of taxation support for separate schools in larger measure falling on realty owned by individuals."

Due to the fact that the taxes from corporations, especially the larger corporations, are not available to the separate schools, and the schools are thrown back very largely on the individual properties.

"The Boards of Trustees of Separate Schools are obliged, and rightly so, to maintain the standards of education laid down by the Department, and due to conditions above referred to, the relatively larger number of pupils and the lower per pupil assessment, the separate schools of the province are faced with a financial problem difficult of solution. The seriousness of the situation is acknowledged by The Committee of Enquiry into the Cost of Education in the Province of Ontario, 1938, as appears by the following extract from Pages 36 and 37 of the Report:

'The evidence submitted to the Committee indicated that as a general rule the assessment available for the support of separate schools was substantially less than that available for the support of public schools in the same community, and that, as a consequence, the mill rate required to be fixed for separate school purposes was generally higher than that imposed for public

"'school purposes.'

As a matter of fact, in Ottawa the separate schools rate is seven mills in excess of the public school rate.

'A specific condition which has operated to the disadvantage of the separate schools was brought to the attention of the Committee. In cases in which the children of a Protestant father and a Roman Catholic mother attend a separate school with the approval of the father, it is not possible under the present law for the father to direct that any part of the taxes which he pays for school purposes shall be paid to the separate schools, even though all his children, with his approval, may be attending a separate school. It was found, likewise, that in many cases, particularly in urban centres; it is necessary to supplement the revenue derived from taxation by contributions from private sources in order to maintain efficient separate schools. In general, the salaries paid to teachers in separate schools are lower than those paid to teachers in public schools, and, in many cases, lay teachers are being replaced by religious teachers as a means for the reduction of the cost of maintaining the separate schools. In certain urban centres in which Fifth Classes are maintained by separate school boards and in which there are secondary schools, the separate school supporters are not only supporting the Fifth Classes in their own schools but are contributing to the support of the same grades in the secondary schools.'

The report of the Commission was issued within the last month, I believe.

"Another reason justifying Federal assistance for

"educational purposes is the fact that education made available to students by the expenditure of municipal and provincial funds is, in view of increasing communication and travel in Canada and the opening up of new resources in various parts of the country, utilized in many cases to the advantage of a province, other than the native province of the student, which assumed the expense of equipping him for his life's work. This is particularly the case with respect to students trained in technical and vocational schools.

The Association is of the opinion that any principle or plan of Federal assistance should be worked out within the framework of the existing educational set-up and that without lessening in any way the contributions of the provinces, the Federal Government should implement the resources of the province for educational purposes.

It is submitted that the most equitable method of Federal assistance to elementary and secondary schools would be grants, sufficient to meet the requirements, conditional upon the allocation by the Provincial authorities of the funds between public and separate schools on the basis of school attendance in the inverse ratio to the assessment."

That plan, gentlemen, has recently been adopted as the local grant policy of Ontario, recognizing the fact that the grants which were largely based on teachers' salaries, the wealthy schools with a high assessment, with highly paid teachers, received the larger proportion of the money. Under this scheme it would help the smaller schools, with lower assessment, if they fix a mean figure of say a portion of the school assessment, or \$2500. per pupil, and as the assessment increased, more wealth in the community, then

the grant would be reduced. As the assessment returns went down, then the grant would be increased. That principle has recently been adopted in Ontario.

"Since the first and immediate right and duty with respect to the education of children belongs by the law of nature to the parents, who exercise their right and discharge their obligations through their elected representatives on Local School Boards, the Association is of the opinion that it is imperative that Provincial Educational Departments be considered fundamentally and practically as the presentative and agent of the parents and not as dictators of educational policies."

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"This Association is opposed to the principle of state education and state schools operated directly by Provincial Governments. Notwithstanding weaknesses in the present system operated by Local Boards of Trustees under the direction of the Department of Education, such a semi-state system, is in our opinion, best suited to the people of Canada. Control and administration of educational affairs should be fundamentally and ultimately reposed in Local Boards as representatives of the parents of the children. Any support for educational purposes furnished by Federal or Provincial Governments should be predicated on the principle of local control.

This Association makes the submission that the Federal Government should assist materially in the financing and developing of technical, vocational, agricultural and similar special branches of education, which, on account of their close relationship to the industrial and economic life of the Dominion, may be deemed not only a Provincial but a Federal responsibility.

It is submitted that increased Provincial grants and the inauguration of a system of Federal grants, to a reasonable amount, for elementary and secondary school purposes and the allocation of the same between the public and separate schools on the basis of school attendance in the inverse ratio to the assessment, would not only relieve real property of a part of the heavy burden heretofore referred to, but at the same time, would tend to equalize the cost of education

throughout the various Provinces of the Dominion.

The feeling of a sense of grievance by large minority groups is undoubtedly prejudicial to national harmony. A spirit of co-operation and good will in the interest of national and racial harmony, inspired the Fathers of Confederation, to enact the provisions of the British North America Act whereby they purported to insure to religious minorities the enjoyment of their religious and educational rights and privileges.

This Association is firmly convinced that the educational problems of religious minorities which have been brought to the attention of your Commission, could be readily and satisfactorily solved if the matter were approached in the spirit that made Confederation possible. The future happiness and prosperity of Canada depends to a large extent upon the mutual good will and co-operation among our citizens of all classes, races and creeds, and it is felt that no sounder recommendation could be made by your Commission than to bring to the attention of the Federal and Provincial Governments their obligation and duty to insure to religious minorities the enjoyment of their educational rights and privileges guaranteed by the constitution of Canada.

The foregoing is respectfully submitted for your consideration, and the Roman Catholic Separate School Trustees Association of Ontario desires to express its appreciation of the opportunity of making the representations herein contained."

Signed by the President and Secretary of the

Association. Are there any questions, Mr. Chairman?

THE ACTING CHAIRMAN: Probably Mr. Stewart, the Counsel, has some questions.

MR. STEWART: Just the one point I wanted to clear up to some extent. You referred in two or three places, Mr. Murphy, to the failure of the Provincial Government to implement the legislation of 1863?

MR. MURPHY: Yes.

Q. You mean the spirit rather than the letter of that legislation, do you not?

A. To implement the legislation, to make effective the spirit and intention at the time. At the date of 1867 there were no such things as corporations, in 1886 you remember they made the limited provision progressive if you could ascertain the ownership of corporation shares. The directors in their discretion had the privilege, as they still have, of making an allocation towards the schools, but owing to the development of business and large blocks of stock held by brokers in the form of street certificates and warrants and so on, it is quite impossible to determine the ownership by reason of the change in business, the legislation is to a large measure ineffective.

MR. STEWART: Perhaps I had in mind that if you were treating of the letter of the law the Commission could not do very much about it, it would be in their own hands. It is alleged to be the failure of the spirit of the law, or the failure to implement the legislation.

MR. MURPHY: Yes, although we admit that after all is a matter of provincial concern. But we are more concerned about the other branch, the request of Federal assistance. Personally I feel it may come in time. It has happened in the United States and in some of the other countries. And if assistance in

federal grants were made, representing a large minority in Ontario, we feel that a string should be attached to it and they should not go into some of the other methods of teaching. I suppose the average salary for religious teachers in separate schools does not exceed \$400 a year. They operate on an amount that they can just get by on.

THE ACTING CHAIRMAN: You would want the subsidies to be ear-marked?

MR.MURPHY: We feel that the same plan which the Province of Ontario has adopted in part as to the allocation of grants where they are needed on a per pupil basis, based on an inverse ratio to the assessment, should be followed. The little school assessed at a few thousand dollars, with a per pupil assessment perhaps of \$1000, that school needs assistance and the large school per pupil assessment of \$25,000, certainly does not need educational assistance. The duty of the state, both federal and provincial, is to see that all children have a reasonable opportunity of being educated and that principle as we recommend to the Commission the Department has adopted in part. It has assisted not only separate schools but assisted in large measure public schools in the rural areas and more or less working areas of the cities, suburban areas and so on.

COMMISSIONER DAFOE: That being the system adopted by the Provincial Government, would it not be applied equally to any grants made from the Dominion treasury for general educational purposes? Would there be any reason to suppose that they would not distribute the grants on the same basis?

MR.MURPHY: Well, their grants, Dr.Dafoe, with regard

to teachers' salaries are still very large. They amount, I suppose, to half of the total fund and we receive no benefit from those whatever. And then there are other grants made by the federal government, they have agricultural problems, technical problems and so on, and money might be used to increase the educational system rather than relieve the burden of the little country school that needs some relief. That was our thought.

COMMISSIONER DAFOE: We have had, as you know, many representations as to the relation which the Dominion authorities should take towards the educational problem in the provinces, and it has been suggested that it would be better for the Dominion to make educational grants for main purposes like vocational and technical education, earmark them. And there has also been the suggestion in certain provinces that the Dominion should also accept a measure of responsibility for the general education. But I do not think any suggestion has gone beyond giving the provincial government a grant, a general grant, for them to distribute.

MR.MURPHY: As they see fit?

COMMISSIONER DAFOE: As they see fit, in keeping with the system they have adopted.

MR.MURPHY: Yes.

COMMISSIONER DAFOE: Now, I think this might well be borne in mind, that if, with respect to a general grant of that kind, the suggestion were made that the Dominion Government should go beyond the general grant and specify its allocation, it might in itself create an invincible obstacle to anything being done. It seems to me the provincial government would have to be trusted for the distribution of that money or you would throw

into the Dominion House a bone of contention which, as I know from my long experience in watching it, would be so threatening that perhaps no government would take the responsibility of accepting a recommendation of that kind.

MR.MURPHY: The thought behind it probably was there has been much said about the attempt made to relieve real estate of the burden of social services and all these forms of taxation. Now, if some of these grants were filtered down to actually mean a relief of the tax burden for your separate school, in Ottawa for instance, your mill rate is seven mills in excess of the public school, if there was some relief there, then they could still maintain a rate four or five mills in addition to the public school rate and it would not be such a tremendous burden. But with the high assessment and high mill rate the burden is, as you will appreciate, almost intolerable. But I admit that our chief concern in the matter is dealing with the provincial government, I mean certainly the jurisdiction is there, but in view of the representations made by the other organizations asking for assistance from the Federal Government for elementary education, we make these recommendations and we concur in the suggestion of course about vocational education and so on. Thank you.

THE ACTING CHAIRMAN: We thank you for this brief but of course we have to repeat what we said in the different provinces, to the universities of Manitoba and Saskatchewan and in British Columbia, that we have first to find out if this falls within our authority, within our jurisdiction. If we find that it falls within it, you may be sure we will give very careful attention to this brief and this submission.

MR.MURPHY: Thank you, sir.

THE ACTING CHAIRMAN: Will you file the brief as exhibit 400?

EXHIBIT NO. 400 - Brief of the Roman Catholic
Separate School Trustees
Association of Ontario.

THE ACTING CHAIRMAN: We will adjourn until 2:30 P.M.

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

THE ACTING CHAIRMAN: Who is to present this submission?

MR. FOWLER: Mr. Buck, sir.

MR. T. BUCK Representative of Communist Party.

was called.

MR. BUCK: My name is Buck, and on behalf of the Central Committee of the Communist Party of Canada, I am making this presentation. Mr. Smith and Mr. Sims will be prepared to answer questions of specific detail, as we go along.

"Mr. Chairman and members of the Commission:

Allow me, on behalf of the Central Committee of the Communist Party of Canada to welcome the establishment of this Commission and express appreciation of the work already accomplished in connection with its tremendous task.

The problem of Dominion-Provincial relations is basically the problem of the economic and social needs of the Canadian people. It is the hardship, poverty and suffering of the masses of the people in our country of great natural wealth that forms the issue of governmental measures to cope with the economic and social problems of the nation to the forefront. It becomes increasingly evident that such measures as are needed and demanded by the people are impossible within the divided framework of Canadian Confederation and the question of changes in the constitutional structure of Canada and government has become a major national issue. The

"establishment of your Commission represents the first serious effort of government to grapple with this problem and we join in welcoming its establishment as an historic step forward.

In defining the scope of your investigation as 'the re-examination of the economic and financial basis of Confederation and of the distribution of legislative powers in the light of the economic and social developments of the last seventy years' the Dominion government has given recognition to the point of view that changes of governmental structure must proceed from the needs of the people.

In its actual form, confederation represented a compromise between the rising industrial capitalist class, desiring internal free trade and central jurisdiction over external trade, and semi-feudal influences, seeking to preserve the powers of landlordism and feudalism in the provinces.

The consequences have been felt in Canada's economic and social development since. Quebec has been maintained as an 'economic zone' of especially low wage and living standards. The absence of complete national unification has placed agriculture in a position of special subordination to industry.

The economic crisis through which our country has passed unleashed upon the mass of the people the full fury of monopoly capital faced with declining profits. The economic crisis has brought about the present crisis of governmental relationship. Out of the crisis arose great movements of the people to preserve their living standards, save

"their farms and homes and protect their families. Thus the crisis has brought to a head the issue of the responsibility of the central government for the cost of the crisis and the distribution of these costs through taxation according to ability to pay.

Very definite problems, confront the Dominion government, such as the widely recognized need for:

- (a) Unemployment and Social insurance.
- (b) Government regulation of industrial conditions to abolish long hours and starvation wages and guarantee the rights of labour.
- (c) Measures for the rehabilitation of agriculture and the curbing of the power of monopoly to exploit the farmer and the consumer.
- (d) Release the municipalities from the cost of social services and the re-organization of taxation as a whole on a more equitable basis.

These reforms directly affect the national economy and the well-being of the people. They cannot be carried through by provincial or municipal governments.

Provincial isolation is utilized as the main pretext for refusal to fulfill these tasks by provincial governments; restriction of federal government powers under the British North America Act is the pretext for failure of federal governments to assume responsibility. It is for this reason that all forces desiring economic progress demand the completion of Canadian national unification to enable the Dominion government to meet these burning needs.

"The divisions left by confederation have become the strongholds of reactionary finance in its fight against reforms demanded by the Canadian people.

Reactionary monopoly and financial interests desire the preservation of national disunity because it is to their advantage in dominating the economic life of the country and holding down the living standards of the people.

They desire to maintain Quebec as a zone of especially low wages. They desire to continue to profit from western agriculture without being subject to taxation to meet the costs of the crisis through which western agriculture is passing. They try to maintain national disunity to block the way to social legislation and uniform regulation of industry and commerce.

It is not accidental that the two provincial governments which are leading the fight to prevent national unification are at the same time seeking to abrogate the rights of labour to organize. In Quebec the Padlock law is used to crush democratic expression of opinion while full freedom and encouragement is given to open avowed fascist organizations.

The forces responsible for these developments in Ontario and Quebec are the centre around which a new reactionary combination of political forces is being marshalled. It is the centre of opposition to national unity. It is fostering sectional and separatist movements and propaganda which, ultimately, hold the danger of provincial dismemberment of the nation."

Quebec is generally held up as an example of a province which needs provincial and which needs protection for minority rights. As a matter of fact, however:

"no section of the Canadian people has suffered more from the incompleteness of national unification than have the French Canadian people. The French Canadian people have never enjoyed genuine minority rights. In the name of 'minority rights' the people of Quebec have been cheated out of the higher wage levels and living standards gained by the workers in other parts of Canada. The appalling social conditions in Quebec are revealed by the fact that infant mortality in the Cities of Montreal and Quebec rank with those of Madras and Bombay, as the highest in the world.

French Canadian culture has been stifled and crushed by low wages, lack of education and social services, and the heartless exploitation of the largest and richest corporations in Canada. Even to-day there are 120,000 children of school age in Quebec who are receiving no education whatever, and twenty per cent of the people are partially illiterate.

The French Canadian people have not enjoyed privileges and rights as a result of provincial isolation but have suffered economic discrimination low wages, lack of education and exclusion from the economic, social and cultural gains of the Canadian people; the people of Quebec have been systematically deprived of equal democratic rights by restriction of the franchise and oppressive election laws.

"The main opponents of national unification do not represent the interests of the French Canadian people but of reactionary finance capital largely centred in Quebec which desires to maintain Quebec as a 'special zone' of low wages and living standards thus keeping the double yoke of exploitation on the Quebec people. It is the Forces striving to open the avenues to progress through more complete national unification that are really seeking to establish minority rights for the French Canadian people.

Government measures in the interests of economic improvement and security for the Canadian people becomes a matter of most pressing importance in the light of the signs of the approach of a new economic crisis. One million people are still dependent on relief and we face a new economic crisis while the ravages of the last are still unhealed.

Consider the problem of Dominion-Provincial relations from the viewpoint of the effects of a new approaching crisis. It is no over-statement to say that Canadian democracy will be imperilled unless decisive measures are taken quickly to establish economic security for the people and strengthen their democratic power.

The threat to Canadian democracy comes from the camp of reactionary big interests. The most reactionary circles of big business are pursuing a well defined programme calculated to block progress and place social and economic reform outside the reach of the Canadian people...In the central provinces, and especially in Quebec, the

"democratic rights of the people are being crushed and destroyed because these rights assist the people in their struggle for economic security and social reform.

The guarantee of democracy against this growing danger can be found only in the strengthened power of the people. National unification, which can be realized through the democratic progressive movement of the people must establish a Canadian Bill of Rights guaranteeing full equal rights for the French Canadian people, freedom of trade union organization, freedom of speech, press, assembly and religion, unrestricted freedom of the franchise in all elections on the basis of proportional representation and the abolition of the anti-democratic veto power of the Senate.

The position of the Communist Party toward these great issues in the political life of Canada is clear. We belong on the side of democracy and progress, on the side of national unification to open the doors to economic improvement and security for the people.

The Communist Party stands for socialism. But the Communist Party repudiates now as in the past all theories or proposals looking to the forcible imposition of socialism upon the majority of the people. Such ideas are utterly and completely foreign to the Communist Party. We never did and never will hold to a programme of forcible establishment of socialism against the will of the people. The Communist programme and policy rests exclusively

"upon the democratic will of the people.

Scratch beneath the surface of those who inspire such fears and one finds an enemy of economic improvements for the people. It is the cold-blooded resolve of the dominant financial interests to withhold economic security from the people that is the very source of the threat to democracy. In organizing and leading the movements for higher wages, for social legislation, for economic security, the Communist Party is making a fundamental contribution to Canadian democracy because economic betterment for the people is the only basis upon which it can survive. If our understanding of history is correct, that is the surest road to socialism.

We speak then, as a part of the ever-growing alignment of the democratic people of Canada. We are for complete national unification because it coincides with the path of democratic progress, and economic betterment for the people.

Every Canadian who truly loves his country and is devoted to the welfare of its people is against the blocking of national progress by the provincial dismemberment of the nation at the hands of reaction. We must avert the imminent disaster of progress blocked and democracy destroyed by complete democratic national unification to open the way for economic and social security for the people.

It is the purpose of this brief to show (a) that social legislation, legislation to protect agriculture, legislation to regulate commerce and curb monopolies and labour legislation are all urgently

"necessary: (b) that such legislation must be national in scope applicable to all parts of the Dominion; (c) that the national income of Canada is ample to finance such legislation; and (d) that the national unification started but left unfinished by Confederation, must now be completed by the necessary amendments to our Constitution."

Gentlemen , I have read a somewhat summarized form of the introduction to our brief. I have read it to you, almost completely, because I consider it is important that you should, to some extent, appreciate the position from which we approach the problem in this brief. The brief itself is rather long and I am desirous of limiting my presentation to sufficient time that it will not unduly tire either the members of the Commission or any other person connected with the work of the Commission. For that reason, I will summarize the remainder of the brief.

THE ACTING CHAIRMAN: You may take all the time you need.

MR. BUCK: Thank you, very much, I appreciate that.

I will speak to the brief, rather than actually repeat the brief, and I will ask that if there are any points I miss which seem to be points of interest to you, do not hesitate to interrupt me.

It is our contention that the national income of Canada is, even to-day, enough to provide security for all her people. The reason for the acute distress suffered by the workmen and farmers in Canada is not to be found in a lack of wealth or insufficient production, but rather in the fact of its unjust and inequitable distribution. The effect of its unjust and inequitable distribution leaves millions in dire poverty and distress, while a very

small number of people garner the fruits of their toil. The last year for which it is possible to secure fairly complete statistics is 1934. For this reason, we have based most of our calculations on the statistics for 1934. I want to point out, at this stage, that there are certain sections of this statement in which we have been forced to base our arguments upon estimates. This, I think everyone will agree, is not our fault, but is rather our misfortune and the misfortune of the people of Canada. In plenty of cases, the statistics should be available and are not available. The Census Department, to some extent, is to be criticized, because the Census figures of 1931 have not yet been published insofar as they deal with the earnings of the people. We have had to base our estimates on such material as has been available, and we cannot vouch for their general correctness. We want to state, in parenthesis, that where there is a matter of slight variation, it can easily be corrected by reference to the Dominion Bureau of Statistics, or the Department of Census or the census where the actual figures are to be found.

The Canadian National income in 1934, was \$3,600,000,000 plus the sum of \$100,000,000 received by Canadian investors during that year in interests and dividends from abroad. How was the income divided? The division of this income provides us with the key to the solution of the problem with which our country is faced at the present time. About \$1,840,000,000, or one half of this amount was paid out in wages and salaries. The farmers received \$475,000,000, or about 15 per cent.

MR. STEWART: What is the source of your figures, Mr. Buck ?

MR. BUCK: The Dominion Bureau of Statistics, and the Bank of Nova Scotia Report. The Bank of Nova Scotia Report gave the sum of about \$3,585,000,000.

MR. STEWART: I mean the \$1,840,000?

MR. BUCK: The Bank of Nova Scotia--it is the aggregate of the wages and salaries paid, the sum total, according to the Dominion Bureau of Statistics and the Canadian Year Book. The \$475,000,000 we give for the farmers, is not the net value of the farm products, but it is the net value of farm products less the wages given.

MR. STEWART: But the figures are taken from the Dominion Bureau of Statistics?

MR. BUCK: From the Dominion Bureau of Statistics. I will ask Mr. Smith to take a note of that and perhaps we can deal with those figures more completely.

Dealing with this question of the distribution of national income, the farmers received about \$475,000,000 or about 15 per cent of the total national income. Some \$300,000,000 or eight per cent of the national income went to groups that the census classifies as employers and workers on their own account. These are the small merchants, domestic servants, professional people with income from fees and the like. The remainder of the income of 29 per cent consisted of earnings of property exclusive of farms and small business undertakings. It amounted roughly to \$1,035,000,000. In 1934, those who owned the natural resources of Canada, exclusive of the farms, that is the factories, banks, and trading establishments, exclusive of the small shops, made over \$1,000,000,000 through the fact of ownership. This was in a relatively poor year and practically all of it that remained in Canada went to the small group of people whose incomes exceeded

\$5,000.

About \$300,000,000, went to foreign capitalists.

This left \$900,000,000 for the Canadian capitalists because we must take into consideration the fact that during the same year a matter of \$85,000,000, all fees, went to professional people whose income was in excess of \$5,000.00. At least \$25,000,000 went in a similar direction, that is, for salaries to people who earned more than \$5,000., and fees to professional people whose income is more than \$5,000, so that the total between them would be approximately \$110,000,000. We could say, \$100,000,000, which would leave a matter of \$900,000,000 for the group which is characterized as those receiving more than \$5,000 a year. If we take this whole group, we find that during that year only 3,600 people shared in this income, that is, of the income which totalled more than 25 per cent of the total income for Canada. Even if we include all those people as having shared in this income, we find that six-tenths of one per cent or one out of every 466 in the population, shared between them 25 per cent of the national income of that year. They shared it more as a reward for ownership rather than for services performed.

All available information tends to show that more than two-thirds of this \$900,000,000 went to the group with incomes exceeding \$10,000. According to the statistics which are published by the Income Tax Department, the total number of individuals in this group was only one-tenth of one percent of the population. If we include the capital gains, this one-tenth of one percent of the population received an aggregate income larger than the total income of the 1,617,000 persons, who were the poorest

wage earners in Canada. These people constitute one of the basic groups for the production of wealth in Canada. In other words, one-tenth of one percent of the population received more than 65 per cent of the salary earners who produced this wealth. Finally, it is clear that, of the millions which went to the one-tenth of one per cent of the population, with incomes above \$10,000 , the largest part went to the very small number of extremely rich people at the top.

Of the \$900,000,000 of the national income which went to the small group of people in the high income bracket, only a little more than a third was assessed for income tax. Two of the main reasons for this are as follows: One, the systematic evasion of payment of income tax and understatement of taxable income by Canadian capitalists. Two, the extremely generous definition of taxable income used by the Dominion government. Profits made but re-invested without taking the form of dividends are not personal income and are not taxable according to the interpretation of the Dominion government. Thus, the owners of Canadian corporations pay no income tax upon the millions of dollars of profit "ploughed back", and otherwise invested by the corporations every year.

What this means in life is illustrated in the report of the Royal Commission investigating the textile industry. It was quite clearly illustrated in the argument advanced by the Dominion Textile Company in justification of the revaluation in 1923.

THE ACTING CHAIRMAN: From what page are you reading, Mr. Buck?

MR. BUCK: I am sorry, sir, but I am not quoting directly from the brief. I should be very glad to expand on any of

the points. What this means in life was illustrated in the report of the Royal Commission investigating the Textile industry and particularly in the argument advanced by the representative of the Dominion Textiles Company, in justification of the revaluation in 1923. I believe they boosted the value from \$7,500,000, to \$15,000,000, and it was claimed that the revaluation was justified in part by yearly replacements and betterments paid for out of earnings. This is a quotation from the report of the Royal Commission investigating the Textile Industry and it is typical of Canada's richest and largest corporations, as a whole. The dozens and dozens of the greatest corporations in Canada to-day, represent in investment value, not so much the money which was originally put into these corporations, but the fact that profits have been 'ploughed back' into the industry year by year. The result of this is that to-day corporation value represents, not so much the money originally put into the corporation, but the extension of its operations on the basis of the annual re-investment of profits.

As a matter of fact, a careful examination of the distribution of the national income for the year 1934, shows that if we exclude all salaries, farm income, and the income of other individual proprietors, the wealth accruing to the high income group in Canada totalled \$1,085,000,000. This equalled 29 per cent of the national income. In the United States, the proportion so received in the same year was \$14.5 per cent. Even in 1929, the comparable figure in the United States was 17.9 per cent.

MR. STEWART: Mr. Buck, is it not a fact that the American method of calculation is entirely different from the method you use?

MR. BUCK: It may be different in the sense that it uses different tables and different methods of statistics, but I think it takes the same receipts from income into account.

MR. STEWART: I am advised that they approach it from an entirely different point of view and that your figure of 29 per cent and their figure of 15 per cent is arrived at by an entirely different process.

MR. BUCK: Naturally, I think it would be a mistake to engage in a discussion as to whether the methods adopted in securing the figures, on the basis of American income were the same or different. However, we should be very glad to submit a memorandum on it if we could aid in arriving at a better understanding of the problem which we are trying to solve. We could submit a memorandum on the exact method by which we arrived at those figures and the exact method by which those figures were arrived at in the United States.

Accepting those figures in the brief, I think it is important to note that, in Canada, the reward for property ownership is considerably higher than it is in the United States, which country is generally regarded as the richest capitalist country in the world.

In tabular form the distribution of the national income of Canada for 1934 is startling enough even without this comparison. For example, in 1934, on the basis of all available statistics, we have the following picture; two million three hundred and three thousand workers received less than \$2,000 a year. They received a total of \$1,360,000,000. 928,000 farmers received, actually, only \$475,000,000. 150,000 domestic servants and persons engaged in similar types of occupation received only

\$45,000,000. This gives us a total of 3,381,000 persons, ninety per cent of all those gainfully employed, for wages and salaries, received a total of 51 per cent of the national income. This amounted to \$1,880,000,000.

The second group is the group which, in the brief, we have called group b. In this group there are 161,000 salaried employees receiving between \$2,000 and \$5,000 per year, which makes the total amount received \$390,000,000. There are 50,000 professional people who receive an aggregate of \$100,000. There are 200,000 small employers who receive an aggregate of \$160,000. The total income for the 411,000 persons which represents 10 per cent of all gainfully employed people amounts to \$650,000. If we add the earnings from property of the \$2,000 to \$5,000 class, there is an added \$20,000 to the total. This makes a total income for this group of \$670,000,000. The income for this group which embraces, one might say, almost 100 per cent of the people who are actually performing the services which are essential for the carrying-on of all work in our daily life in Canada amounts to 69 per cent of the national income.

Then, in group C we have those with salaries in excess of \$5,000 per year. This accounts for \$85,000,000. Profits, that is to say, interest, rents, and so on which go to foreign investors, amounts to \$300,000,000. The balance of interest, rents, profits, dividends, and so on, remaining to Canadian capitalists amounts to \$665,000,000. Profits from money invested abroad amounts to \$100,000,000. The income for this group, that is the total income for the group, amounts to \$1,150,000,000. This means that the reward for property ownership represented approximately 31 per cent of the total national income. This would

be their share of every bushel of corn produced, every ounce of gold produced, and so on. Thus, even in a bad year, 1934, the capitalists class made between \$500,000,000 and \$600,000,000 beyond the amount on which it pays income taxes. If we look at the share of the national income received by the workers, we find the picture is not, by any means, so bright. I see that opposite page 84 in the brief, we have set out in detail the distribution of the national income. I am not going to bore the Commission by reading through long statements and tabulations, but I must say that these figures are almost startling if one looks at them closely.

We see, for example, that according to the Dominion Bureau of Statistics, the average earnings, inclusive of all wages and salaries, in the leading manufacturing industries of Canada in 1934 was \$837. This average includes the high salaries paid, not only to managers, superintendents, and technicians, but also directors' fees, and other like things. The average earnings in the manufacturing industries are higher than the average for wage earners as a whole, however, and if we accept the ratio of 1931 for 1934, we find that the average earnings of all persons employed in Canada for wages or salaries in 1934 was only \$742.00. This includes the higher salaries for directors' salaries and such things, so that the actual amount received by the wage earner is less. The actual earnings of the majority of Canadian wage earners falls below \$500.00, that is for that year. This is shown in Tables one, two and three on pages 20 and 22 of the brief. This tabulation shows that in 1934 the poorest 36 percent, 895,000 workers, received between them only \$181,000,000, while the people who paid income tax on incomes in excess

of \$12,000.00, shared \$191,071,000.00. This takes cognizance of the amount of the increment on their investment value. This is the actual amount of income upon which they paid dividends. Eight thousand people paid taxes on incomes of more than \$12,000.00 and received \$10,000,000. more than those eight hundred and ninety-five thousand workers who produced the wealth which made these incomes possible.

(Page 9737 follows)

The poorest two-thirds of the workers, that is to say, 1,617,000, actually averaged only \$360.00 apiece that year, a total of \$582,000,000. These 1,617,000 workers received between them only 16% of the national income.

84% of all the workers employed for wages or salaries in Canada in 1934, totalling 2,090,000 people averaged only \$506. for the year, or less than \$11.00 per week. Their aggregate salaries and wages amounted to \$1,057 millions, approximately the same amount that went to a handful of people as the reward for ownership. The smallness of the share of the farmers in the national income is equally startling. Farm income in 1934 was about \$500,000,000. If we deduct the wages paid to farm employees, approximately \$25,000,000, we see that the farmers received \$475,000,000. Three and a half million farm people had to live on this. The average earnings per farmer were only about \$510.00, very close to the average of \$506.00 received by 84% of all wage earners, and salary earners. Farm families had a per capita income of only \$143.00.

It is very often argued, particularly by people who are not so much interested in the facts as in the argument, that redistribution of income would not help the workers and the farmers in the country. The foregoing facts show, however, that such is not by any means true. The startling fact is that in 1934 the incomes of 65% of the workers in Canada could have been more than doubled if one-half of the total income of the rich had been added to the wages and salaries received by these workers. The total farm income could have been doubled also out of the remaining half of the income of the capitalists, and \$125,000,000, that is to say, an average of \$100,000. each, would still have been left for the 9,744 rich people at the top, who paid income tax during that year on incomes of more than \$10,000.

Take the 84% of the Canadian workers who earned an average of \$506. in 1934, add to them the farmers whose total earnings were \$475,000,000, and the total of people is approximately 3,000,000 people. Now, I think it is important that we should recognize the fact that these are the 3,000,000 people who do the work of Canada. These are the men and the women who produce the things that make Canada one of the most productive, one of the richest nations in the world, so that Canada stands in the fourth or fifth place, consistently, among the exporting nations. These are the bread winners, 80 to 85% of the population. Altogether these people, the breadwinners, 80 to 85% of the population, got approximately one and a half billion dollars in 1934, while two billion dollars went to the remaining 15 or 20% of the population.

On the basis of these facts alone, it is clear that, to make life supportable for the masses, the state must provide social services, must rearrange government functions so that this can be done, and must revamp the taxing system so that the chief beneficiaries of the economic system pay for the services. This is particularly necessary because of the way our system works, and the changes that have taken place in the economic settlement of the country.

Our economic system works in such a way that in ~~crises~~ and depression the earnings of the workers and farmers are terribly depressed in comparison with those of the ~~investors~~. Particularly if we set off the investors as a class, a capitalist class as a whole.

The figures given in table 5 on page 30 in the brief show that the income of the capitalists rose by 35% during the years 1926 to 1929 inclusive, but during the same years the income of the rest of the population rose by only ~~10%~~. If we take the figures of 1926 as equivalent to 100, we

see that during the depression the income of the capitalists assessed for income tax fell from 134 in 1929 to 102 in 1932 which was their lowest year. This was a fall of 24% from the 1929 high. In this same period the income of the poor fell from the index of 105 (its 1929 high) down to 51 in 1933. Thus whereas the income of the capitalists increased by 34% during the years 1926-29 that of the poor increased by only 5%. The worst year of the crisis was, for the capitalists 13% better than the base year 1926 and only 24% below their 1929 high, but the income of the poor fell to 51% of the base year 1926 and a shade less than 49% of their 1929 high.) It is not a question of good men and bad men, it is a question of standards of life. If there were time to go into details it could be reduced to the amount of milk that babies get, to whether children have shoes to go to school, to the amount of bread and meat and vegetables that working class families get. We all know, there is no difference of opinion about it, the working people of Canada from 1929 were not getting more than was necessary to maintain their families at anything like a decent standard of life, and when their average income fell to 49% of what they had been receiving in 1929 obviously somebody had to suffer. That is not the worst of it. Their income did not ^{only} fall in the worst of the crisis but it remained down. During the so-called recovery period, the incomes of the rich rose rapidly from 102 in 1932 to 118 in 1934 but in the same period the incomes of the poor rose very slowly, and only from 51% of the 1926 level to 55% of the 1926 level.

Because I think it is important, we should show that this does find immediate reflection in standards of life, and we may refer to the statistics issued concerned retail sales. I was interested this morning in listening to the

presentation on behalf of the Retail Trade. My mind went automatically to the fact that perhaps a great deal of suffering that the retailers are feeling in this country may be traced to other causes as well as the causes to which they themselves attribute it. It may be traced to the fact that people have not the money to spend. For example, we find, according to the statistics published by the Department of Trade and Commerce, the general index of retail trade, which is a very trustworthy and a fairly reliable index collected from several thousand of the most important retail institutions in the country, it shows us that in 1933 the general index of retail trade was down to 60% of the level of 1929. This, of course, includes the purchases of many people who did not have to reduce their purchases. This means that the poorest section of the population, at least 50% of the population, - that their purchases declined to considerably lower than 60%. But even in 1937 retail sales did not come back to anything like 100% of the retail sales of 1929. On the contrary, in 1937 the general index for retail sales is only 71.8% of the index for 1929. That is the general index, which includes everybody. If we get to those articles which are purchased when you have money enough to buy them rather than those articles you have to have in order to live, such as boots and shoes for example, we find that in 1933 the general index was down to 54.6% of 1929. In 1937 it had only come back to 63.9% of 1929. Mens' clothing went down in 1933 to 42.5% of 1929, and even in 1937 it was only back to 55.1%. Women's clothing went down to 52.4% in 1933, and in 1937 it had come back to only 55.1% of the purchases of 1929. I will not tire you by going through the whole thing. But retail purchases of meats and groceries give a fairly good idea as to the changing standard of life of the masses of the people. Meats and groceries are in a different class

to boots and shoes in the sense that one almost must have them, and retail sales include relief as well as wages. The retail sales of meats and groceries in 1933 were down to 66.8% of the level for 1929, and for 1937 they were still down, at 80.8% of 1929. The people of Canada bought only four-fifths as much meat and groceries in 1937 as they did in 1929.

COMMISSIONER DAFOE: There is the difference in values, of course.

MR. BUCK: There is a change in values, but if we take the figures, which are the absolute figures, you find the change in price is not to anything like that extent, and consequently, the main reason why I did not work out the figures for the change in prices is because these figures are taken mainly from the departmental and chain store systems, which have actually increased their share of the retail trade in the years under review, rather than otherwise, and actually this gives a favourable picture of the total retail sales of the country during those years. I agree with you, Sir, that the question of the changing prices is an important one, but the change in prices does not counterbalance the tremendous decline in the sales.

The question immediately arises, therefore, if we agree that social legislation is necessary, how much of the money necessary to finance it shall be taken in the form of taxes from the three-quarters of our workers and farmers who earned during 1934 a trifle over \$500.00. That question answers itself. The poor already pay the bulk of the sales taxes, the bulk of the excise duties, the bulk of the property tax, and the bulk of the customs duties either directly or indirectly. If taxation equalled 20% of the national income in 1934, it is positive that this group of our people paid at least 20% of their income in taxes. That is to say, out of an average

of \$100.00, they paid an average of \$100. in taxes .

COMMISSIONER ANGUS: The word "repressive" in line 4, is that a slip for "regressive"?

MR. BUCK: We used the term "repressive" there in the sense it bears heavily on those people who can least afford it, and tends to lower their standard of life.

COMMISSIONER ANGUS: You mean regressive standards?

MR. BUCK: Yes, regressing. Any decent rearrangement of provincial and Dominion finances must take as its first objective the lowering of this proportion, the elimination of the heavy taxation of the poor, and the substitution of drastically increased income and succession duties on the rich. This means, among other things, centralizing the taxing power so that a large share of the one billion dollars profits in 1934, which went to capitalists, goes in future years to the millions who have not enough to live on at the present time.

In this respect I want to point out that our effort, our desire, has been to present our point of view. There may be many questions here upon which there is disagreement, particularly when it comes to the details and as to the actual methods of applying the principle, but we are particularly anxious to get across the principle that we are dedicated to, that if Canada is to progress, if Canadian democracy is to be strengthened, measures must be taken so that the wealth produced in the country is used in some adequate measure to guarantee security and a decent standard of life for all its people. One of the main reasons for this to-day, and one of the reasons why it is absolutely essential that it should be undertaken by a central government, is because of the fact that during the past fifty years Canadian economy has undergone a process of concentration, so that to-day the man who is working in a mine in Great Bear Lake in Saskatchewan

or in a lumber camp in British Columbia is producing wealth, a surplus over and above his earnings and the immediate expenditures for maintenance, which goes to the capitalists in Toronto or Montreal. The basic reason for the unequal distribution of the national income, lies in the intense exploitation in industry and the fact that Canadian industry is dominated by powerful monopolies. The extent of monopoly domination is striking. The farmers in Alberta and the farmers in Nova Scotia purchase their equipment from the same group of implement manufacturers in central Canada. Steel, oil, rubber, chemicals, tobacco, automobiles textiles and all the basic industries are highly concentrated and organized nationally. Control and management of the banks, trust companies and insurance companies are also concentrated while their operations are national in scope. Even in the case of retailing, a large proportion of the total trade is done by companies operating on a national scale.

The head offices of the huge national organizations which dominate the industry and commerce of Canada are located in the main, in Ontario and Quebec, and the Price Spreads Commission showed that control of these giant corporations is concentrated in the hands of a small number of people.

The list of Canadian industries is almost entirely a list of the names of a few great corporations. In metals we have International Nickel a world monopoly. In iron and steel two dominant companies and their subsidiaries are rapidly being merged into a combine. In agricultural implements two great companies get the bulk of the selling. In automobiles three companies did 90% of the business in 1934. In chemicals one firm dominates and through interlocking directors the few existing firms are practically one. In flour milling five mills have 73% of the capacity

and, four of them control bakery chains which sell 90% of the bread in their districts. In meat packing Canada Packers does 60% of the business. One firm sells half of the sugar sold in Canada. In tobacco, the Imperial Tobacco Company has only one relatively small competitor. In Cans, one company sells two-thirds of the total output. In coal, 85% of the output of Nova Scotia is controlled by one company, and one company dominates similarly in British Columbia. In paper, four companies have 40% of the newsprint capacity. In power, several giants own the total resources. In gasoline, Imperial Oil rules with one follower. In aluminum, there is one company. The list could be indefinitely extended and it would show a concentration of economic power greater than in the largest capitalist countries. This concentration on the industrial side goes hand in hand with an even tighter control of Canadian finance by the handful of men who sit at five banks and the associated trust and insurance companies.

The devices of minority control give the biggest capitalists effective control of the direction of Canadian economic life. The network of financial and industrial giants and subsidiaries which they direct constitute a system of economic empires stretching across Canada.

Our country is rich. The means of maintaining a large population in decency and comfort are already present, yet numbers of our people have insufficient to eat, live in want and insecurity, are housed in slums and shacks and live in the shadow of fear.

The development of monopolies has given control of the living standards of workers and farmers to the handful of people who dominate the giant corporations. Striking evidence of the grip that the big monopolies have upon Canadian industry is to be seen in the fact that although

there are thousands of corporations in Canada a handful of them do most of Canada's business. Table six shows this clearly. On Table 6 we show the results of concentration, and the picture of concentration in progress. It shows that in 1934 11,000 companies were assessed for taxation but out of those 11,000 just 35 of them made 50% of all the profits that were made. It took 10,935 companies to make the other 50% of the profits reported. That is not all of it. In this latter group of 10,935 companies, 45% of the profits were made by 314 of them. Therefore, we find that 10,621 companies succeeded in making only one-quarter of the total profits earned in Canada by corporations during that year. 75% of the profits were earned by 349 corporations, or less than 4% of the total number of companies reporting. This, of course, is reflected immediately in income distribution particularly as concerns the provinces. The economic structure of Canada now is such that the manufacturing industry is concentrated in Ontario and Quebec. At the time of Confederation the economy of each province was more or less built on the needs of that province. To-day the economy of Canada is built on the most efficient and cheapest and profitable method of supplying the market of Canada or, as we sometimes say, exploiting the market of Canada. Industry is concentrated in Ontario and Quebec, with the head office of the largest financial institutions in these two provinces. This results in a concentration of property and income as well as population in these two provinces. Roughly 70% of Canada's income in recent years has been produced in Ontario and Quebec. Consequently, in relation to population, the amount of income earned by the people resident in the other provinces is much smaller than in Ontario and Quebec.

But in considering the provincial distribution of the national income it is necessary to remember that Canadian

and foreign capitalists receive a tremendous share of the total shown for Ontario and Quebec, as provinces. We have already cited wage figures which show the appallingly low condition of the masses of the people in these two provinces. The fact is that although Ontario and Quebec are rich in income in comparison with the rest of Canada, they are rich because the capitalists are congregated in those places.

But because the rich reside in Toronto and Montreal, and because the head offices of the large corporations are there, income and property are more easily taxable in Ontario and Quebec than elsewhere. Fiscal problems of these provinces under the existing set up of government burdens and revenue sources are relatively easy. If there were only a will to tax the rich it is undoubtedly true that Ontario and Quebec could raise much larger sums of money per capita than the rest of Canada. But this does not mean that in fact the revenues of Ontario and Quebec are collected from the rich. Actually, the taxes on property and goods on which these two provinces mainly depend for their revenues are passed on to the mass of the population through higher prices, and are really levied in this way in the West as well as in Ontario and Quebec. The concentration of industry and finance makes it impossible for the other provinces to collect taxes from the residents of Ontario and Quebec in this way, although often residents of Ontario and Quebec are collecting their incomes from other provinces.

We have here, the basic reason why extensive social services cannot be financed by the provinces under the existing set up. The majority of the provinces cannot get any appreciable revenue from the income tax. Ontario and Quebec do not, in fact, get their revenue from such a tax, they get it from taxes on things which hit the whole populat-

ion. But this route is not open to the other provinces because the population, as a whole, has not the money to spend.

One of the important sectional issues before this Commission has been raised concerning the Prairie Provinces, but the real problem of the Prairie Provinces is not a problem of geography, and certainly it is not one of provincial rights, as that term is generally interpreted by the sectionalists. It is a problem of the exploitation of the West by the central financial interests of Canada and the subjugation of agriculture to big business with the result that, even with good yields, the West faces cruel poverty. For that third of our population engaged in agriculture, the problem is the same as it is for the mass of workers and middleclasses. The small group of monopolists and financiers are able to exploit the farmer as effectively as the worker. They prevent him from attaining a decent standard of living, in three ways; A. by keeping high the prices of the things he buys; B. by exorbitant rates of interest; and C. by depressing, through their influence in the market, the prices of the things he has to sell.

The story of conditions in the West, in Manitoba and Saskatchewan, has been well told in the submissions of those two provinces. If those two briefs do not say outright that the Prairie Provinces are exploited by the capitalists of Ontario and Quebec, they breathe that conviction in many a sentence and in nearly every statistical table. The figures of these briefs show that at no time, in good or bad years, with good or bad crops, have the Prairie Provinces managed to get a share of the national wealth proportionate to their population. How is this? We are accustomed to thinking that wheat is our great crop. Canadians always think of wheat as our great export. Canada is known throughout the world

for wheat. How is it that the people who raise this great source of wealth have been kept poor? Why did the great wheat belt always have a smaller per capita income than the residents of Ontario? If you find the answer to these questions you will find the answer to many of the riddles that are confronting the minds of the people concerned with Dominion and Provincial problems to-day. This looks like a sectional question. Certain provinces are poor, and other provinces are rich. But this is not the answer. The answer is that over one billion dollars go annually to profits, interest, and capitalists' salaries. If you take this sum away from Ontario and Quebec you will see that Ontario and Quebec are not rich, in the sense that the mass of the people is not rich; it is not the mass of the people in Ontario and Quebec who had the income that should have gone to the West. After all, wages are from \$8.00 to \$18.00 per week as a rule in Ontario and Quebec. The problems and the hardships of the Prairie farmers result from the same evils which keep wages in Quebec at starvation level, and which cause the deaths of more babies per thousand in Montreal and Quebec than in any other Cities in Europe or America. Their condition can only be ameliorated by democratic unification of Canada and a more democratic distribution of our abundant production, and through redistribution of the national income. And this is the contention of this brief, that this redistribution can only be carried through effectively by giving more authority for social legislation or similar measures, including taxation, to the Dominion Government.

Mr. Chairman, and Gentlemen, so far as I am concerned I shall be glad to continue, but I realize this is rather a long presentation and, in as much as this is the end of rather an important section of our presentation, I would suggest if you Gentlemen consider it advisable, that we should

have a recess for five minutes which will be very gratifying to me.

THE ACTING CHAIRMAN: Yes.

After five minutes adjournment the Commission resumed.

MR. BUCK: The introduction and the analysis of the distribution of the national income, which I have already dealt with, provide the point of departure from which we approach this problem and the basis for our proposals for its solution. The introduction comprises, as it were, our approach to the problem, and the analysis of the present distribution of the national income is the basis on which we approach the problem of ameliorating the conditions. We believe that certain national measures are required to meet the needs of the people. The measures require reallocation of government responsibility. We propose that all social legislation, or the responsibility for all social legislation shall be assumed by the Dominion Government; unemployment insurance, health insurance, crop insurance, minimum national standards of education, housing, mothers' allowance, old age pensions, and aid to youth, are all problems that can only be dealt with properly through legislation by the Dominion Government. In addition we propose that the Dominion Government shall assume control of all legislation relating to labour, and shall institute legislation as follows:

- "1) Maximum hours for labor.
- 2) National minimum wages for women and young workers.
- 3) National standards of minimum working conditions.
- 4) Enforcement of the right of workers to organize in trade unions."

Finally there are two other matters which should be transferred entirely to the Dominion, so that much needed action can be taken. The first is control of all companies

to the end that the Dominion shall be able to control the monopolies which at present act as complete dictators of the economic life of the country. The second is that the Dominion Government shall be given the necessary powers to institute a programme of minimum prices for agricultural products.

Social services are needed to provide safe-guards for the health and happiness of the people. They all have the common objective of setting minimum standards of living and ensuring that nobody in the population, shall be deprived of these minimum standards. If the Government does not provide the required social services the sufferings of the vast masses of our people is likely to be intolerable.

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It is justifiable to ask as to whether the people working and farmers in need would be ready to live again through a period like they went through between 1928 and 1936.

The minimum standard of living which the state sets up as necessary should be uniform throughout Canada. The workers of Quebec need medical care just as much as do those workers of Ontario. It is unjust to discriminate on account of the district in which a person lives. The Dominion Government therefore should set and be responsible for national standards with respect to unemployment relief, medical care, old age pensions and the generally necessary social services.

At the present time one third of our people depend upon agriculture. Another 60% of them depend upon wages and salaries. A conservative statement is that 90% of our people depend upon agriculture or wages for their livelihood. As a matter of fact a majority of the other 10% are small storekeepers and such like people. The number of people who depend upon wages for their livelihood today is out of all proportion to the proportion of the population that depended upon wages and salaries at the time of Confederation. The number of people who are in business for themselves or who employ one or two other workers is similarly out of all proportion to the proportion who were in that position at the time of Confederation, but in an inverse ratio.

These changes which have taken place since 1867 have created the new problems with which government is faced. These problems require a new allocation of government powers and revenues.

Wage workers cannot now look forward to becoming independent employers. When wages come into the purview

of government, a national question comes into the purview of government today.

"The question of the minimum wage with a system of national manufactures cannot be handled locally or regionally. It is not a matter of protecting a few people in one place. The minimum wage is a protection demanded by hundreds of thousands of wage earners and they are all dependent upon a complex structure of wages which influences every part of the country."

Montreal, with its sweated labour, has a larger importance in the standards of living of many Toronto workers than has the wage level in Hamilton.

"As a result of these charges, wages and employment are the two most important matters for one-half of our population".

You have only to consider the conditions that existed from 1929 until 1935, for example, to realize the importance of this.

"In 1931 and 1932 when the suffering of our people was intense the net profits of Canadian corporations as assessed for tax purposes were 550 and 330 millions respectively. In these same years other hundreds of millions were being paid out by corporations and government treasuries for interest. Profits and payments for interest of this size at a time when the means of life are in jeopardy for hundreds of thousands, when the frame-work of society is disintegrating, are a crime against the nation. No constitutional or legal barriers should be allowed to stand in the way of necessary action by the government in the interest of the mass of the people."

In view of the fact that Canada is faced with the approach of conditions comparable and in all probability worse than those conditions which we faced in 1931, '32 and '33, with unemployment the source of untold

"misery for hundreds of thousands in Canada, the crying need is for a system which will enable the unemployed to live and to be certain that they will live. The haphazard system of relief now being followed is based upon the stupid idea that unemployment is an 'emergency' and not a persistent evil, swelling in volume during periodic crises. A permanent organization must be set up to cope with this evil, and in all civilized countries this is done by means of a system of unemployment insurance. There can be no doubt but that this is the wish and demand of millions of Canadians, both English and French-speaking."

I think it is worthy of note here that in a recent publication of the Dominion Bureau of Statistics, which studies the long term trend in Canadian industry, it is shown quite clearly that the productivity per worker employed in industry in Canada has increased since 1913 by 39%, that the number of workers employed in industry has not appreciably increased but that the proportion of them, that the distribution of these workers has changed, that the actual number of workers engaged in direct production is smaller, that the total market for products does not increase, that unless some very far-reaching measures can be taken we are faced with the problem of what is termed generally constructional unemployment, unemployment which comes as

a result of the fact that the overhead charges, the fixed charges of industry, tend continually to reduce the proportion of the product that goes into wages and salaries, that the purchasing power of people is insufficient to extend the market, while the increased productivity per worker reduces the number of people required to produce a given amount of goods. This is the basic explanation of the permanence of unemployment at the present time. And it is important to note that the very issue around which the question of amendment of the British North America Act has become important in the mind of the average Canadian is the issue of unemployment insurance. The action of the Prime Minister in proposing that the Dominion Government would introduce such legislation if the provinces would contribute has raised this to a topical issue, a topical political issue all over the country. You will find a general agreement that measures are necessary. There may be difference of opinion exactly as to what measures, there may be difference of opinion as to exactly how it is to be financed, but today you can find no serious responsible public person who does not think that unemployment is now a problem and a permanent problem that must be dealt with otherwise than settled as a temporary exigency which is going to pass away.

It is obvious also that such a system cannot be placed on the basis of varying provincial interests and varying provincial resources.

"The standards of relief have been denounced to this commission by every public body which is in a position to know the fact. One fact alone from the Saskatchewan brief speaks volumes for the miseries which one-tenth of our population has been forced to endure, and that is that until

comparatively recently relief recipients in Saskatchewan were forbidden to use any part of the money they received to buy either fruit or vegetables."

The people of Saskatchewan could certainly not be held responsible for the dire straits in which they found themselves and nobody will deny that the means were available in Canada to provide them with vegetables, even if somebody might be hard-hearted enough to say they should not have fruit. But they could not have it because the means were not available. The province of Saskatchewan and such provinces have not got the resources. The province of Saskatchewan today could not even finance unemployment insurance. And aside from the question of the province having the resources the fact is that industry and commerce and the wealth of Canada is now concentrated in such a way, while the exploitation of the national resources is devised in such a way that if we are going to establish legislation which protects the people who are employed in industry and in the exploitation of the natural resources it must be financed by a national scheme.

The relief scales which result from the present system may be judged on the basis of the scale in the city of Toronto. Nobody will say that the city of Toronto has the lowest relief scale in Canada, and yet if we take the scale which was set in the city of Toronto in 1933 it was as follows:

For a family of 5 people for groceries \$1.80 per week, thirty cents per person per week. For meat forty-five cents per week, six and a half cents per day for five people. For vegetables forty cents per week, less than six cents per day for five people. For butter forty-five cents a week. A total of \$3.10 a week. It is true that

bread and milk are not included here, but what it means is national suicide. As a matter of fact it has created chaos in municipal finance.

THE ACTING CHAIRMAN: How are they provided with bread and milk?

MR. BUCK: They received separate vouchers for bread and milk. They have been varied since then. At the present time for example, according to the latest figures available, 1,060,000 human beings in Canada are dependant upon relief. A large number of them are farming people, but the total is 1,060,000. Most of these are receiving a lower scale than the scale established for Toronto.

"It is an incontrovertible conclusion that one million Canadians, living in a country famed for its abundant production of food, are actually receiving only half of the barest minimum amount of food required for normal human life."

While everybody from the farmer to the retail merchant is deploring the fact that the market is going to pieces and there is no demand for their goods, the present system is suicide, not only from the point of view of the health of the individual, which is its most serious aspect, but from the disastrous effect that it has on municipal finance.

Take for example the suburban municipalities around the city of Toronto. These municipalities are actually the residential districts for people who work in Toronto. These people are thrown out of employment. The firms with whom they previously had employment now have no responsibility for them. The taxation from which their relief has to be financed, aside from the assistance which comes from the Dominion and provincial

government, must be placed upon their own homes. There is scarcely any administration in these municipalities, in the Yorks for instance. The result is that in the suburbs the house property, mainly very small house property, is taxed to the point where it becomes almost impossible for a man to maintain his home. The municipal debts go up to the point where creditors put in commissions through the provincial government and this reacts in a sense through the present low scales of relief which brings mounting costs of medical services and hospitalization and a general system, not only of bankruptcy but almost of demoralization in these municipalities..And I say this also with a keen sense of the fact that Canada today stands almost on the threshold of a renewal of these crisis conditions. We can have no re-assurance that this winter will not see in Canada a spread of the conditions which are already rampant in the United States. And this question of unemployment relief and the way it is handled is affecting the health of the Canadian people.

It is true that generally speaking we are proud to describe the health of the Canadian people as good. It is true that diseases such as typhoid, smallpox, and diphtheria have been almost eliminated, but it is also true that knowledge in this respect has outrun practice, that it is known quite well the measures that could be taken to improve the health of the people, and secondly that the health of the people is today not only a question of medical science, the health of the people today obtains largely from sicknesses which are not of the type of smallpox, diphtheria and so on, but of the type of sickness that comes from malnutrition, from the general complex of the evil results of unemployment.

We have no exact statistics for this in connection with Canada but it is generally accepted by authoritative workers in this field that the statistics for the United States are fairly applicable to Canada, particularly if we take similar industrial centres and such-like places. And we find, according to the statistics of the United States that a large proportion of the population is disabled through illness on each day of winter time and that in the course of a year seventeen per cent of the population is disabled for a period of a week or longer. We find also that the proportion of those on relief who are disabled for a week is fifty per cent greater than the proportion among those who make \$3000 a year or more. We find also that the more frequent illness, plus more severe illness, means a per capita volume of illness three times as great among relief recipients as among those earning \$3000 a year or more.

There is a wealth of information of this type available in connection with the industrial census of the United States, and there is enough evidence available concerning Canada to justify the assumption that it applies very closely to Canada.

For example, an investigation carried out in one Saskatchewan school showed that the children of families on relief were absent from school because of definitely established illness five times as frequently as children of the families with the largest incomes. In Montreal the death rates in the ten poorest wards were in a recent year 25 to 30% higher than the death rate in the ten richest wards. The lieutenant-governor's report on housing in Toronto showed that there were 75% more known cases of tuberculosis among those living in poor houses than among those living in good houses.

"The death rate from tuberculosis in Montreal is twice as high for the poor as for the rich. On the basis of these facts it can be concluded that there is a great deal of malnutrition among the poor in Canada. It can therefore be concluded that if, as has been found in the United States, the medical care for the whole population is about half of what is required, the same statement is true in Canada."

Complete figures for this statement and for this general subject are given in the appendix. We realize completely it goes beyond the purview of your commission and we therefore put most of the detailed material in the appendix. There are some facts which may well be described as startling which go to show that the question of the health of the people of Canada is ~~no longer~~ only a question of medical science as such, the cure for a large part of the sickness from which the people in Canada suffer is to be found in economic security and in an adequate health standard. If this is not obtained regardless of what is done by medical science, a large number of our people will continue to suffer unnecessary disabling illness and premature death.

The Communist party believes that a plan should at once be adopted which will provide adequate and proper medical, dental and hospital care for all regardless of their employment or lack of employment. If the plan adopted is a contributory one in which beneficiary, employer and governments are assessed the estimated cost, provision must be made for the unemployed. In the latter case the total cost should be met by the former employer and the government or by the government alone. If assessment is made proportional to income, as is

generally the case, services to the beneficiaries should be made alike for all. The man on very low wages is likely to become ill equally as a high wage earner, but his maximum contribution should not be more than 1-2 of 1% of his income."

We suggest furthermore that the entire population should be assessed for this. While it is true that some people will be able to afford and will prefer to have their own private practitioner, that should be no reason for excluding them from the general scale. If adequate medical service is given it should be adequate for anybody within reason, and there is no reason why it should not embrace every member of the population.

Similarly in the matter of education. Education today is a national problem. The Communist Party stands foursquare for a maintenance of provincial rights and cultural, language and minority rights in education. We believe that everything should be done and everything must be done to protect the rights and maintain them of national minorities, particularly of the French-Canadian people, to secure the privileges and rights guaranteed by the Quebec Act shall never be infringed. But at the same time we maintain that the people of Canada as a whole owe a debt to the children of Canada, that every child in Canada has a right to at least a minimum education, and that this minimum education under present conditions should only be guaranteed by measures enacted by the Dominion Government, which will be responsible for carrying them through.

It is not necessary for me to go into the details of the closing of schools on the Prairie Provinces, not only because there is no salary for the teacher,-

I am personally acquainted with many teachers who are willing to work without salary and do work without salary. but because they cannot get the wood and fuel to heat the schools. There are plenty of cases of the same kind. We suggest that a certain effort should be made to abolish the inequalities of educational opportunity, minimum standards should be established. Even if it is not considered advisable for the Dominion Government to take over education as a whole, as is done in Australia, at least the Dominion Government should be responsible for certain minimum standards and the provincial government should be responsible for the rest. It is not only inequitable, it is not only unfair to the children, but it is inefficient for education to be the responsibility almost entirely of the municipality as it is at the present time in most of the provinces.

We wish to touch also on the question of the opportunity for education as between classes, these inequalities which stand between the youth, the young man on a farm or a young man in an unemployed working class family and others do sometimes cut across classes, but generally speaking the differences between income groups are pretty clearly defined by an appraisal in the opportunities for education.

Bulletin No.1 of the cost of education series shows us the following figures for all the children in Canada: Two thirds of all the children go as far as the final year of the elementary school. One fifth reach the final or matriculation year. Only one-tenth of all the children continue to a professional school or university. And only 300 per year get as far as a university degree.

MR. STEWART: Three per hundred?

MR. BUCK: Three per hundred, pardon me, got as far as a university degree.

Now, it is not our contention that every child wants a university degree , and if a child does not want it there is not much need for us to say they are going to have it. But we also know there are tens of thousands who want it and have the capacity for it, and that they will become assets to the nation, if there were greater opportunities for them. And we believe measures should be taken to provide those opportunities.

We believe that a system should be established whereby the Dominion Government would establish a minimum standard for the country and in connection with measures to provide opportunities for all our youth, assistance could be provided by means of scholarships, starting with students leaving public school and continuing through university. We estimate that if at first 4000 students per year were given scholarships the cost to the time of their leaving university would be, by the end of the sixth year, approximately \$15,000,000 per year. This is based upon a cost including assistance with fees and lodging, etc., of \$600 per year per student, which we believe to be sufficient.

We believe that this is not only important for the benefit of the students as such but we believe that it would be a great asset and of great value to Canada as a whole.

Furthermore, the question of the youth of Canada is a question which must be faced, and must be faced on a larger scale than it has been faced up to the present time by the Dominion Government. We welcome the youth rehabilitation measures, we welcome the two and a half million dollars that the Dominion Government has placed at the disposal of the provinces for youth rehabilitation, but obviously something more is required. There is the

problem of what are these boys to do after they pass through the youth rehabilitation scheme. Seventy-five thousand of them are coming out of school every year, but the number of people employed in industry up to the present time is not increasing at anything like that speed. On the contrary it tends to decrease.

We propose that measures should be adopted to provide opportunities for the youth. For that reason we propose or we urge the enactment of the Canadian Youth Act which is proposed by the Canadian Youth Council, which would provide the following:

First of all, the institution of college projects for the employment of needy undergraduate and graduate students at regular rates of wages.

Provision for funds for the extension and development of systems of vocational training and vocational guidance.

The institution of public works and enterprises for the employments of unemployed young persons, including young sons and daughters of farmers not remuneratively employed at home who are not attending school.

Such public works enterprises should be designed to provide for the youth employed, apprenticeship training in trades, professions, and agriculture under the direction of qualified instructors, provided that while receiving such training, the youth shall receive wages at proper rates and further shall not replace or otherwise interfere with the employment of trained persons, either youth or adult.

Young sons and daughters of farmers shall, in preference to public works, be assisted to establish themselves on farms.

Special grants should be assigned by the federal government to make it possible for young couples to marry

and establish a home.

These measures combined with the increase of purchasing power, the raising of the standard of living which would follow from our further proposals, would tend to create a little wider opportunity for youth leaving school than is at present the case.

One of the essential needs at the present time however, in the present Canadian economic system, is the improvement of living conditions of our people, and the enactment of labour legislation.

"To achieve that end we recommend that the Dominion government be given sole responsibility for measures designed to alleviate the conditions of the workers. In addition to the social services already mentioned the Dominion government should have the power to : -

- (a) Fix minimum wages for women and young workers under 19 years of age.
- (b) Regulate maximum hours of work.
- (c) Enforce provisions for at least one weekly day of rest.
- (d) Set standards of sanitation and safety in places of work, and powers of inspection on these matters.
- (e) Set up a national system of employment boards.

A submission on these matters has already been made to this Commission by the Trades and Labor Congress of Canada, and the Dominion Joint Legislative Committee of the Railway Transportation Brotherhoods and the Communist Party heartily concurs in their recommendations."

I have quoted the figures of the average earnings for the people of Canada. The average earnings in Quebec are lower than the average for Canada, while the hours of labour are much longer. And these conditions, and this variation in conditions, can only exist because of the present allocation of responsibilities to the provinces.

For example, in 1934 the working week in Ontario was 48 hours, 48-6/10 hours. In Quebec, during that same year, it was 50-6/10 hours. And the results of these things can be seen by contrasting working conditions in Ontario and Quebec. The average wage in Quebec during 1934 was considerably lower than in Ontario. The result is that the average employer in Ontario continually holds up Quebec, a threat of moving his plant to Quebec, a threat not only against the workers employed but against the municipality. And low as the average wages are in Ontario and low as the average wages are in Quebec, there is still no security for these wages at the present time. If we compare the average wages paid in a manufacturing industry in Quebec and Ontario what do we find? In 1935 the wage in boots and shoes was 21% lower in Quebec than in Ontario. The wage in the silk and artificial silk industry was 19% lower in Quebec. The wage in the rubber industry was 27% lower. The wages in the pulp and paper industry were 10% lower. The wages in iron and steel were 21% lower in Quebec than in Ontario. Men's wages in the clothing industry were 19% lower in Quebec and women's wages were 6% lower.

"But these wages, as we have already shown are coupled with the fact of long hours, longer in

Quebec than in Ontario. Rough calculations indicate that accepting the published figures with respect to hours and wages, wage rates are on an average 20 per cent to 25 per cent lower in Quebec than in Ontario. In addition it must be said that there is little ground for believing that the figures given present a true picture of

exploitation in Quebec," because most of those

come from the large centres which are open to public investigation. It is as a result of this that if decent minimum wages are proposed in Ontario the factory owner immediately proposes to move his factory to Quebec.

Because of this it is absolutely essential that labour legislation must be national in scope. On a provincial scale it brings uneven economic conditions, and its obstruction by reaction is assisted by the fact that the provincial government may not agree upon it.

"This applies with equal force to Workmen's Compensation, sanitation and safety inspection and employment services. At the root of the whole problem is the necessity of guaranteeing the freedom of trade union organization, which will be dealt with in a later section."

We recommend in addition that the Dominion Government shall take measures to meet the needs of the farmers, and to give them protection. We agree or we recommend in connection with the briefs of the Prairie Provinces submitted to the Commission that full powers and responsibilities for coping with the situation be given to the Dominion Government.

"A three-fold programme is necessary - crop insurance, minimum prices and rehabilitation. With respect to crop insurance it should be pointed out that the low level of farm incomes over the last

decade makes it absolutely impossible for the farmers to contribute to funds at the present time which will be used to tide them over bad times."

It also makes it impossible for them to carry out legislation which will help to or will in a measure at least eliminate the drought from which they are suffering.

Farm irrigation projects should have been started long before this. They had no finances to start them with. It might easily be said and is being said in some quarters there is no money to start such a scheme. But the alternative is a continuation or a greater expense on relief. Nobody can say that the money which has been spent for relief even in the Prairie Provinces during the past five years or eight years would not have been much better spent for direct constructional purposes parrying through some of the undertakings that are really necessary to remedy the effects of drought in those provinces. And to wait until there is no crisis in the hope that then there will be more money, would be only putting off the work which is really necessary.

Similarly with the question of a guaranteed minimum price. It is perfectly true that the Dominion Government can no more guarantee the price in Liverpool than the Saskatchewan Government can, but the Dominion Government can guarantee a minimum price for wheat or for tobacco or for beet root. If we deal with wheat as a specific problem we are then justified in asking whether the raising of wheat is not just as important in Canadian economy as the maintenance of the dividends to the bondholders of the C.N.R. If the Dominion Government can find anywhere from twenty- three to ninety-three million dollars a year according to whether it is a good year or bad year to cover the deficits and pay the dividends to bondholders of the C.N.R., then it is rather anomalous for anybody to

suggest that it is impossible to find money to salvage one of the most important sections of the Canadian economy. The raising of wheat in Canada is not only a question of so many bushels, but it is a question of so many millions of human beings.

When we realize that half of the population of the province of Saskatchewan is faced with want, in dire distress, it behooves us to realize that the question of Canadian agriculture is a national problem and from this point of view we urge that a minimum price should be established, which the farmers will be guaranteed, which will be met as a national deficit and national obligation in years when the market price falls below that.

If we can afford to give the people who own the gold mines the privilege of being excused from paying dividends on one-third of their production for the year then I think we can also afford to do something towards maintaining the price for farmers who raise one of the most important crops that are raised in Canada. And anyway, the alternative is not so very pleasant. If we do not guarantee a minimum, either through crop insurance or through minimum prices or preferably through a combination of both, then we are going to be faced with a rapid deterioration of the capital of Canadian farms, of houses, farm equipment, land, household furnishings and so on. The capital deterioration in Saskatchewan since 1929 has been pretty heavy; If we estimate it at \$200,000,000 it is conservative to say that the deterioration in the three prairie provinces combined has amounted to \$400,000,000. We have this deterioration while we export \$300,000,000 annually in payment of interest and dividends to foreign capitalists. And while

obviously the people who draw 25% of the national income of Canada every year do not pay anything like the rate of taxation which they could very easily and equitably pay, Professor Brithnell of Saskatchewan has estimated that the interest alone on the debts owed by the people of Saskatchewan has been equal to two-thirds of all the wheat available for sale in that province in every year of the depression since 1930, and on that basis he goes on to point out that the total debt of the population of Saskatchewan is \$482,000,000, or \$15 per acre for every acre of crop land in the province.

The Saskatchewan brief pointed out to the Commission that 85% of that debt is probably held outside of the province. These figures may be applied to practically each one of the prairie provinces.

"We propose that the Dominion government should assume complete responsibility for the drastic scaling down of this burden. This is a very necessary step. If the already rapid turn toward tenant farming is not to become so accelerated as to eliminate the independent farmer in the next few years, it has got to be started immediately. Since practically speaking, a large part of this debt will never be paid back, the investors must face the physical impossibility of collecting it and what they have not been willing to do voluntarily in the past, the Dominion government must press them to do now. At the same time, the government must institute a plan of loans to farmers at nominal interest rates to assist the rehabilitation of agriculture."

What has been said with regard to certain services applies also to the question of old age pensions, mothers'

allowances and so on. These are all problems of the Dominion Government and can be handled properly only by the Dominion Government.

THE ACTING CHAIRMAN: We might perhaps call it four-thirty and we might begin with the Tax Reform and National Unification tomorrow morning at 10:30.

MR.BUCK: Very good, sir, thank you.

--- The Commission adjourned at 4:30 P.M. to resume at 10:30 A.M. Wednesday, June 1st, 1938.

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ROYAL COMMISSION ON DOMINION PROVINCIAL-RELATIONS

REPORT OF HEARINGS

JUN 1 1938

REPORTERS:

George Thompson
John Robertson
David Torry



OTTAWA, ONTARIO, JUNE 1, 1938

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COMMITTEE OF THE COMMUNIST
PARTY OF CANADA

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T. BUCK

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REPRESENTATIONS BY THE NATIONAL
RESEARCH COUNCIL

MAJOR-GEN. A. G. L. McNAUGHTON

9878-90903

OTTAWA, ONTARIO, JUNE 1, 1938

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

OTTAWA, ONTARIO, JUNE 1, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Hearing Room of the Board of Railway Commissioners, on Wednesday, June 1, 1938, at 10.30 a.m.

PRESENT:

COMMISSIONER JOSEPH SIROIS....THE ACTING CHAIRMAN

JOHN W. DAFOE, Esq.

PROFESSOR HENRY FORBES ANGUS

)
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)

Commissioners

Commission Counsel:

James McGregor Stewart, K. C.

Secretariat:

Alex. Skelton, Esq.

Adjutor Savard, Esq.

R. M. Fowler, Esq.

Wilfrid Eggleston, Esq.

Secretary

Secrétaire Français

Legal Secretary to

The Chairman

Assistant to the

Secretary

FOR THE COMMUNIST PARTY OF CANADA:

Mr. T. Buck

Representative

FOR THE NATIONAL RESEARCH COUNCIL:

Major-General A.G.L. McNaughton

President

Hearing Room, Board of
Railway Commissioners,
Ottawa, Ontario,
June 1st., 1938

MORNING SESSION

The Commission met at 10.30 A.M.

THE ACTING CHAIRMAN: Mr. Buck.

MR. BUCK: Mr. Chairman and gentlemen of the Commission, I will continue on that section of our brief in which we outline our proposals for tax reform and national unification. The financial proposals which we make are as follows:

- "1. That the personal income tax should be made the basic tax in the Dominion taxation system.
2. (a) That no governmental body shall be allowed to levy a sales tax.
(b) Excise duties on articles of general consumption should be abolished.
(c) Customs duties should be abolished except where absolutely necessary to maintain an industry in existence in Canada.
3. That the interest on all public debt should be scaled down to 3 per cent. This can be achieved either by refunding at that rate, or if refunding is not practicable, by the Dominion government taxing the excess of interest above 3 per cent and transferring the receipts of the taxes to the governmental body responsible for paying the interest charges.
4. Abolition of all Dominion subsidies and grants.
5. That inheritance taxation should be given exclusively to the Dominion.
6. That taxation of the net profits of the corporations should be given to the Dominion government exclusively. "

The question of financing of the legislation we have

proposed in the earlier part of the brief is, of course, almost decisive, and in as much as the income of about three quarters of our population hovers around the \$500 to \$600 mark it is obviously impossible to finance far reaching social legislation out of their incomes. As a matter of fact, this section of our population is already over-taxed. At the same time the money is available; the national income of Canada is sufficient to provide for it. If the method and the will to raise this money is there. We propose that the personal income tax should be made the basic source of revenue by the Dominion Government. At the present time the personal income tax constitutes only ten per cent of the total revenue and only about fifteen per cent of the revenue from taxation. The arguments which are advanced in favour of this are fairly well known, particularly that the personal income tax is fair as between persons equally situated, and it takes the money from the people who can most easily afford to pay. There is an argument, of course, very often advanced that if the personal income tax, or if income tax in general is stepped up it will reduce the amount of money invested in Canada; it will cause a shortage of basic capital. I think that perhaps the best answer to this is that you cannot separate the question of capital investment from the market. Unless there is a demand for goods there is no demand or very limited demand for capital investment. On the other hand, as the market increases, the market itself produces the capital for reinvestment. At the present time we see a development in Canadian finance which helps to strengthen the point of view that at the present time what is lacking in Canada is not capital for investment but opportunities for investment. On the one hand we see an increasingly consistent development of foreign investment on the part of Canadian investors, and on the other hand we have seen during the past seven or

eight years, particularly in the past six years, a steady increase in the proportion of available funds that the banks place in government securities. It is rather a striking thing that during the years when the opportunity for profitable investment in industry has to some extent declined as a result of the falling off of the market, the banks have turned to government securities to an ever larger extent. I do not know the figures, but I know during recent months the investment of the banks in Canada in Dominion and provincial securities came very close to \$1200,000,000, whereas previous to 1931 it did not exceed more than \$100,000,000 or \$200,000,000 at one time. Then, of course, we have the fact that it is very questionable whether any technical argument of this sort is valid when the question is not so much, "Will people be anxious to invest?" but, "Is it right that investment opportunities should be presented to capitalists of the whole world at the expense of the standard of life of the people of Canada?" If a larger rate of profit is to be secured only at the cost of starvation of a large number of our people then I say the question of their welfare is a little more important than the question of enticing foreign capitalists to put money into Canada.

To make the income tax a basic source of capital, however, would require a very sharp and exact definition of "income". We propose that income should be made to mean just what it means in language that every person is accustomed to using; the amount of wealth that a person becomes possessed of during the year, not only the amount that he actually receives in dividends but the increased value of his holdings. This would, of course, require a very careful estimate, and it would have to be based upon savings and transfers made during the year; And the inheritance tax must be treated largely as part of our tax

problem because the inheritance tax would cover up, as it were, or smooth out any unevenness in the taxation that had been made from year to year as a result of the increased value not being fully shown on the yearly turnover. Therefore we propose that the annual gains of a person over a period of time, including the increase in value of property which is held at the end of that period over the value of the property which was held at the beginning, shall be assessed as income. This is a clear cut definition. If it were used in Canada, the incomes of the Canadian capitalist, would be shown to be at least half a billion dollars larger than they now are, and the Canadians taxed on incomes assessed in excess of \$5000.00 in the year 1934 are shown by our figures to have received not \$330,000,000 but, \$850,000,000, if we include the increased value of their investment. The inclusion of capital gains in income would require that capital gains should be assessed as income and also, that the rates on inheritance tax should be higher than the income tax rates, and all income would be taxed. Our proposal requires, therefore, that the taxation of inheritance should be made much more efficient than it now is, and be given entirely to the Dominion.

On the same basis we propose the abolition of the sales tax. With the personal income tax as the basic source of revenue it would be possible to abolish the sales tax. It is our contention that one of the approaches to taxation that should be recognized is the fact that taxation is not simply taxation of things, in the final analysis it is taxation of persons by taking money from their income. A system of redistribution, if it is put into effect, must take account of the ability of the people to pay. Taxation amounted to approximately 20 per cent of our income during the year under review, and it is obvious that the people

whose incomes were less than \$600.00 or \$700.00 per year paid a much larger percentage of their income in taxation than the people whose incomes were in excess of \$5,000.00 per year. The taxation which is placed upon the necessities of life in the form of tariff and excise duties and sales tax hits the householder, the family man who lives on a wage of \$13, \$14, or \$15 a week, -- or the man who has to maintain a family on \$10 a week. It is almost crushing, and when we realize that approximately 20 per cent of their annual income is now taken in some form of tax, mainly indirect taxation but some of it direct taxation, -- we realize that actually what we are doing at the present time is placing the heaviest tax upon those least able to pay. One of the most burdensome of these taxes is the tax which is generally referred to as the "painless" tax, because it costs so little to collect, -- the sales tax. We propose that this should be abolished. Taxation today is eating into the capital of large sections of our people. The Saskatchewan Brief, coupled with statistics that have been prepared, shows that the farmers of large sections of Saskatchewan have actually been paying taxes out of their capital for several years past. And what has been said about the sales tax applies to excise and customs duties. These are passed on to the bulk of the population and when the poorer people make such a small income that it is very difficult for them to maintain a decent standard of life on this income, it is not only unfair but it becomes oppression, intolerable oppression, to take away a portion of that income to maintain the political and economic set-up under which they suffer at present.

Therefore, we propose that the sales tax, excise and customs duties should be approached from this point of view.

Thirdly, is the question of public debt. There is a

general opinion that the public debts and the interest burden on these public debts have almost got out of control. I suppose that dozens of submissions to this Commission have emphasized this point and almost everyone agrees that something should be done concerning the burden of the interest charges. The difficulty is, of course, getting some agreement as to how this is to be done. It is a striking thing that the government of the United States has been able to get money at two and a half per cent, our own Dominion Government has been able to get money at three per cent, the provincial government of Ontario has secured money at three per cent, -- money can be secured at the present time for three per cent or less, and yet we are paying a rate of interest in some cases of six and a half per cent on public debts which are well secured. We propose that all interest rates on public debts in Canada should be scaled down to three per cent. If it is impracticable to secure this by refunding operations or by direct agreement with bond holders we propose that it could be secured by a Dominion tax on all the interest paid in excess of three per cent, the Dominion Government to transfer the sums so collected to the governmental bodies responsible for paying the taxes. We believe that this is perfectly equitable. In the United States and in many other important countries the whole tax structure was readjusted during the depression -- the whole credit structure. Not only did the interest rate on government loans fall but private corporations were able to get a much lower rate of interest. We had an example some time ago; a large corporation or, I should say, a holding company in the United States, the Standard Gas and Electric Company, refunded several hundred million dollars of debentures from an average interest rate of five to five

and one eighth to an average rate of two and three quarters per cent. Several large coporations have done the same thing. The City of Philadelphia refunded \$200,000,000 worth of bonds from an average interest rate of four and a half per cent down to an interest rate of two per cent. The whole structure of credit and interest rates in the United States went through a very sharp process of readjustment. But, in Canada, whether we like it or not, it is obvious that the banks were sufficiently closely united in their desire to keep up interest rates, that the financial institutions that lend money and that control the lending of money were sufficiently highly organized and had sufficient monopoly so that there were no breaks in their ranks with the result that although interest rates went down to two or three per cent for 126,000,000 people in the United States, interest rates in Canada were kept up so that those of us who are trying to carry a little house are paying six and a half or seven per cent. It is an anomaly, and it seems that after drawing this high interest rate all through the years, when people in the United States who had to lend money were glad to accept much lower rates it would be no hardship upon the people who have been drawing these interest rates to have their returns adjusted to the level secured in the United States.

COMMISSIONER ANGUS: Have you considered the possibility of this case, taking a hypothetical example; someone with a small sum of money to invest, or a large sum, goes out to buy government bonds and the yield is, shall we say, three to three and a half per cent. Now, he has a choice between buying three per cent bonds and perhaps paying ninety for them, and buying five per cent bonds and paying 110 or 112, whatever it may be. We will imagine two people, one buys the 90 and the other the 112; each is getting the

same interest on the money he invests assuming that those bonds run to maturity. Now, between those two people is it not making rather a sharp distinction if a government said, "All right, we will refund, we will take the man who has paid 112 and give him one hundred"?

MR. BUCK: I agree with you that as between those two people it would be a hardship on the man who had paid a high price to get a higher rate of interest, but on the other hand, I do not believe that the social problems which confront all the people can be solved on the basis of individual hardship. For instance, we are the last people to deny that such measures might occasionally work hardship on the mythical widow whom we are always told about, who has invested her funds. Occasionally there are such cases. The difficulty is one is either compelled to face the fact that these things will happen and should we go through with what are the interests of the great mass of people, or should the great mass of people suffer on account of the fear that hardship might be imposed on an individual. (And one of the arguments in favour of acting on behalf of the mass of the people and of the nation as a whole is that, generally speaking, the people who would suffer this hardship -- that they had for instance, paid a high price for a bond in the hope of getting a higher rate of interest, they are people who at least will not have to go hungry if this transaction is carried through. I am the last person to deny that as individuals they would suffer hardship, and as far as we are concerned, as we have very frequently pointed out in connection with the argument that widows and orphans have their funds invested and they would suffer, there is nothing to prevent measures being taken for the protection of such people. The important thing is that the people of Canada at the present

time are paying interest rates that run from 4 to $5\frac{1}{4}$ per cent on the average on money which should be available at three per cent. I think that is the important point, and all the other difficulties must be faced.

THE ACTING CHAERMAN: You must bear in mind that a widow is not always mythical. I have had exercise of a large number of estates and I know that in connection with many of these estates a number of women are really "widows".

MR. BUCK: As we ourselves often emphasize, we agree there are cases. When I said, "mythical widow" I was lightly referring to the fact that this argument is advanced so frequently with no idea of any concrete person at the back of it but rather as a general term. I agree that there are plenty of such cases and we ourselves would be very anxious that measures should be taken for the protection of such people.

THE ACTING CHAIRMAN: How are you to protect them?

MR. BUCK: I think if such people were protected by social legislation, if they were guaranteed security of life and a measure of comfort, they would^{be}/protected.

COMMISSIONER ANGUS: Even between two rich people who have invested in this way you have advocated a Dominion tax on all interest over three per cent, -- that is, on all holders of government bonds, which would, so to speak, tax the yield rather than the rate.

MR. BUCK: The difficulty is that a government bond is subject to the same speculative influence as a share of common stock, not to quite the same extent, but the market has a big influence on it. And the difficulty with any decision to tax a yield so that the bonds should yield three per cent means that such legislation would have to be based upon market fluctuations and market values. Personally, I would be quite agreeable to a suggestion

of three per cent on the market value of these bonds on such and such a date, but that would have to be fixed, if a certain date were fixed, -- May 1st., or January 1st., -- on the market value of these bonds on such and such a date, then we would have no objection. The point we want to emphasize is that three per cent on the money invested should be sufficient and if any measures could be taken to ensure that a man who had invested \$142.00 on a bond of \$100.00 face value, -- if measures could be taken to ensure he would get \$4.50 or \$4.25 instead of \$3.00 per year, we would have no objection. It is the principle that is at stake.

It is also a logical conclusion that if these measures were taken and the Dominion Government became responsible for all social legislation, for unemployment insurance, old age pensions, widows pensions, and so on, that subsidies to the provinces should be eliminated. There would be exceptions over a period of time. I will mention them when I come to the question of the provincial budgets. It is obvious that the provinces having built their revenue and expenditure on the basis of Dominion subsidies might, in the beginning, have difficulties in individual cases. We believe that if the principle of the abolition of subsidies were adopted that the provincial governments would have sufficient revenue to meet all expenditures and all charges that would accrue, but in a period of readjustment that a province, such as some of the Maritime provinces where there is a very low development of industry, where the population is not increasing, it might be they would have deficits for some time, and these deficits should be met over a period of years at least by the Dominion Government out of ordinary revenue as a part of the cost of maintaining the legislation of social services. But, of

course, it would mean that we would introduce several changes; there is the question of the abolition of excise taxes, sales taxes, and the reduction of tariff, and so on. First of all, whereas inheritance taxes now are much lower than income taxes, inheritance taxes would have to be equal to at least the highest income tax. Secondly, the corporation taxes would need to be revised somewhat. We believe that the income of corporations should be graduated so as to place the heavier taxes on the very small group of the larger corporations which are making fairly handsome profits in Canada. We also believe that dividends and interest received on foreign investments should be taxed, and that dividends paid from one corporation to another should be taxed. At the present time the assumption is that if the investing trust of a certain corporation receives money as dividends from stock that it is holding in other corporations those dividends have already been taxed by the Corporation Tax on the paying corporation. Therefore, no income tax is placed against the corporation receiving it. We believe that double taxation in this case is not only justifiable but necessary because these investing trusts and the investment holdings of corporations represent what, in common street parlance, is called, "velvet"; they are accumulated profits, and they can afford to pay that tax. Then here, as in the United States, we believe there should be a tax on undistributed profits in general. At the present time the capitalist class of Canada and other countries is immensely benefited by its ability to leave its profits in the corporation where they are made, and avoid the payment of income tax on such profits. The tax on these profits would force the payment out as dividends of these profits and would force the capitalists to pay income tax on a larger share of their income than is at present the

case.

I do not want to go into a lot of details as to this, but there are some examples that could be shown. You see, we have institutions such as the Consolidated Smelters, for example, there is a very large and important institution, built up almost entirely out of undistributed profits. The market value of that enterprise at the present time does not represent in any measure the original investment, it represents the earning capacity of that undertaking, and that earning capacity has been built by applying back profits into the undertaking. Now, I am not criticizing this from a moral point of view. I am not suggesting it is not good management to do so. I am suggesting that that money represents profits to the people who own the undertaking equally as much as the dividends that were actually paid out.

(Page 9789 follows)

COMMISSIONER ANGUS: You want to tax it as if it were paid in dividends?

MR. BUCK: Just the same as if it was paid in dividends. If we take some of the industries and particularly some of the mines we find this in a very glaring form. For example, on page 70 of our brief we tabulate some of the gold mines. When we realize that a mine like Hollinger, for example, into which there was never put, that is in the actual original development of the property, there was never put a sum anywhere near equal to the value of \$1.00 per share they sold 4,850,000 shares, and if we say that \$5,000,000 of real money was put into that mine, it is the limit, the extreme limit. Anybody who remembers the floating of the Hollinger Company will remember the prices at which the stock sold for a long time. But in the meantime Hollinger has succeeded in paying out millions and millions of dollars in profits, a total of \$87,000,000 in dividends. It has a plant there that is worth millions of dollars and it is all written down to a valuation of \$1.00. It has paid for its property in addition to the \$87,000,000 in dividends. They have a plant that is capable of earning at the present time dividends at the rate of \$5,412,000 in 1936. They have that for nothing. And in addition they have an investment trust which holds securities to a value that varies according to the market from \$13,000,000 to \$16,000,000. Every shareholder in Hollinger is now possessed of at least \$3.00 worth of securities for every dollar that was originally put into the company, in addition to a plant which has an earning capacity, a clear profit, of more than \$5,000,000 a year.

Obviously it is in the interest of Canada as a whole,

not only of the working people and the farming people, but all Canada as a whole, that some of those benefits should accrue to the nation.

Lakeshore gives you the same picture in an aggregated form. The Lakeshore Gold Mines has paid out \$65,000,000 in dividends since 1918, in twenty years. In the same period of time it has paid out only \$22,900,000 in wages. It has paid \$3.00 in dividends for every dollar it has paid in wages. In 1937 this mine paid dividends of \$12,000,000 and in the year ending June 30th, 1937, it paid out only \$2,800,000 in wages. The share of the workers in this enterprise since its founding has been one third the share of the capitalists and in 1937 the share of the workers had dropped to one quarter the share of the capitalists. And yet we find that our Dominion income tax exempts the shareholders in gold mines from payment of income tax on one third of their income on the ground that it is a depreciating asset, a vanishing asset. It is a vanishing asset but long before they vanish they have paid for themselves very handsomely. And we feel that aside entirely from the ethical consideration there is a question of national welfare involved. In the metal mining industry there is one of the greatest resources of Canada but it is a resource that is a diminishing asset for the people equally as well as for the investors in the mine. The gold, nickel and copper can scarcely be considered something that will last forever. There will come a time, perhaps not in our generation, but there will come a time when the lumber, timber, nickel, gold and copper of Canada will not be so plentiful as it is at the present time. During the period when all this wealth is being developed

and all those resources are exploited it seems logical to assume that Canada should benefit as well as the people who invest money in the mine. But Canada does not benefit at the present time. Canada gets less out of that, out of the wealth produced from those resources which are diminishing than it does out of an industry that manufacturers brooms for sale to housewives, in proportion to the amount of wealth produced.

There are several other taxes on corporations that will be proposed in the next section in order that greater revenue will be received. But generally we urge that regardless of questions of differences over details the broad principle should be imposed that if there is to be a logical method of raising money to finance the sorely needed social legislation that must be induced by the Dominion Government to release the provinces and the municipalities of their present burden, it can only be approached logically from the point of view of taxing those who are able to pay. We contend that our proposals are practicable. There is a general public sentiment in favor of proposals of this character. People may be confused and there may be differences of opinion as to just how, but there is a universal opinion in favor of such measures. Of course the objection raised is that it is impracticable, that it cannot be done. This of course has been the cry of reaction and privilege whenever reforms have been proposed. It is not a new cry and we need only to look back to the struggle for parliamentary government to find that several hundred years ago the cry was raised. But we print figures on pages 76 to 83 of our brief in which we show that on the basis of the government revenues and

expenditures during 1934 that these measures are practicable. And I want to emphasize at the moment we are discussing only the question of practicability. People may differ and there is plenty of room for difference of opinion as to just how much you should tax this particular group of investors and capitalists or how little, but the question of the practicability is a very important one and we want to emphasize the fact that these figures are based on the government returns of the actual money paid during that year.

In these tables we point out that \$230,000,000 could have been saved the provinces and municipalities, that is to say \$80,000,000 from the provinces and \$150,000,000 from the municipalities. We do not present this so much as a means of showing that money could be saved to them but rather as a means of showing that the functions could have been transferred to the Dominion Government and could have been financed. Some functions which have been transferred to the Dominion from the provinces are not very great as to the amount of money that was spent in that year. That really gives us a certain, what you might say, advantage, in the sense that we are minimizing the advantages gained.

I should point this out. It might be argued of course that it is quite easy to do all these things if you take away extensive responsibilities from local governments and give them to the national government, and if the taxes transferred from the provinces to the Dominion were enough. But some people will say that those taxes that you have transferred can, by no stretch of the imagination, be assumed to be large enough to pay for all these responsibilities. And yet in the chart which we show, showing the budget of the Dominion Government for 1934 on the basis of the same

figures, it shows that instead of a deficit of more than \$100,000,000, the Dominion budget with this additional \$230,000,000 of expenditures could have been balanced and in addition could have had a surplus of \$73,000,000.

Of course, the answer as to how is contained in our submission on the distribution of national income. If investors received approximately \$1,200,000,000 in 1934 it is unquestionable that they received considerably more in 1937, and if it is possible to add \$195,000,000 to the revenue from ordinary taxation in 1934 then it is equally possible to add considerably more in 1937 and in years which are generally considered good years.

We propose that the only taxes which should be left to the provinces and the municipalities should be those which are necessary to maintain the services directly relating to them. At the present time for example education and hospitalization are the joint responsibility of the provinces and municipalities. As a matter of fact they have become almost the responsibility of the municipalities. And in the case of education this has resulted in a wide variation of standards of education, with some standards deplorably low. It has resulted in a certain advantage to the children of the large cities, where it is possible to finance fairly large standards, and in severe hardship on those children in the smaller municipalities, even within the same province, where the property assessment is not sufficient to maintain an adequate standard of education. It has resulted in the unequal standards of education which are brought before this Commission even in sectional appeals, even in the appeals of certain sections of the general educational set-up for more consideration.

We find that in the same vicinity within walking

distance there will be very fine schools with fairly adequate teaching staffs and in the next municipality very small schools, poorly built, poorly ventilated, with very inadequate teaching staffs, with very little opportunity for children to get the benefit of the sort of education that Canada should be able to give them.

In the Prairie Provinces the accumulated deficits have caused not only a perpetual struggle but also a crisis. The common man on the prairie cannot understand why it is that he is continually burdened with this situation, whereas in Ontario and Quebec the finances of the provinces are in a fairly healthy condition and if he does consider the question he immediately rebels against what he calls the eastern interest, he rebels against the idea that for some reason the wealth he produces seems to go to benefit people who live in other parts of Canada, and as I said, a situation that his relief voucher prevents him buying fruit and vegetables, his school is closed because they cannot get fuel to keep it warm and so on. We propose to transfer the complete cost of unemployment relief to the Dominion and therefore relieve the provinces and municipalities and to make far-reaching changes as regards health, hospitalization and education.

I do not know if it comes within the purview of your Commission, at the same time we feel it important to emphasize that these things are important in the life of Canada, and as I pointed out yesterday even if the Dominion Government cannot take over education in toto the Dominion Government could establish certain minimum standards that are necessary and required and for which it will be financially responsible.

COMMISSIONER ANGUS: Perhaps this might help to make

it clear. The Commission is ^{not} a planning commission and we are concerned in part with the question of whether the reallocating of what our terms of reference call the burdens of government would lead to greater efficiency. The constitution allocates powers.

MR.BUCK: That is true.

COMMISSIONER ANGUS: Not necessarily duties, in connection with giving them power. A power may be given to a government and it might not act on it.

MR.BUCK: That is true.

COMMISSIONER ANGUS: What we have to consider perhaps is this, that if one transferred certain legislative powers at present enjoyed exclusively by the provinces, and they were given, under our recommendation, exclusively to the Dominion, would that be likely to lead to greater efficiency? It might lead to complete stagnation, if the Dominion did not act in implementation of that new power. So that one sometimes has to consider whether it might be better to have concurrent powers. That is to say the Dominion might have supreme legislative power, but not exclusive power. The province might be free to go ahead if the Dominion did not. There is something to be said for that. But of course on that point it would affect these revenue proposals.

MR.BUCK: That is true. I thank you for that. It does bring out a point that so far as I am concerned I had not considered, this question of the relation of efficiency to the question or division of powers. But the point with which we are impressed is the fact that under the present set-up the childhood and the youth of Canada is not being given opportunity for self-development, they are not getting the education which a country like Canada should be able to give.

COMMISSIONER ANGUS: I might add another possibility

there which has been considered. It is sometimes said, and as I think you have said, that a certain authority has legislative power, such as the province, but it has not the revenue or at any rate because of competitive conditions it is not in a position to use that power, and therefore the power should be transferred.

MR.BUCK: The legislative power should be in the hands of that body which has financial possibilities, etc., that is true.

COMMISSIONER ANGUS: Then, one other possibility is this: It is what is sometimes called a conditional grant. The Dominion Government conceivably might make grants to provinces, leaving them to administer the service, subject to certain conditions or standards, very much as in the case of old age pensions. And that also has to be considered from the standpoint of efficiency. You ^{might} get better administration, for instance, of unemployment relief than if the Dominion were to administer it themselves.

MR.BUCK: Yes, that is true. In connection with education it is quite possible that such a system would have to be the one, because I am afraid that if the concentration, if the centralization of authority for education were in the hands of the Dominion it would be rather a big chunk to bite off at the present time, and we advance that proposal with that in view.

We propose, however, that the expense of maintaining provincial departments of labour and agriculture should also be transferred to the Dominion body, and that their work should be coordinated much more than it is at the present time. Mothers' allowances, old age pensions, pensions for the blind and so on should be transferred also.

Now then, I have already pointed out our point of view on the question of refunding debts for taxing the interest rate over 3%. At the present time Ontario and all the provinces west of Ontario have income tax laws. Quebec and the Maritime Provinces impose no such tax. In 1934 the year which is being used for the general purposes of this brief, there was no individual income tax law in Ontario. We have assumed therefore for the purposes of this brief that Ontario's revenue from income tax would have been five million dollars in 1934. An examination of the figures contained in the Ontario Public Accounts suggests that this was approximately the amount that was collected by this tax the first year that it was collected.

We propose therefore in this brief that every province should have an exactly similar law for the imposition of an individual income tax and that each province's income tax be collected for it through the facilities of the Dominion Income Tax Department. In general we show what this would do to the provincial governments. I am not going to read all through the tables but I should like to quote two of them as examples.

If we take the case of Saskatchewan we will find that whereas at the present time the province is not able to pay interest on its debts, there is a deficit of \$643,000, under our proposal for the taxation of all money in excess of 3%, the province would save \$2,034,000 which, with a deduction of the deficit at the present time, would represent a clear saving of \$1,400,000 approximately.

On education the province would receive from the Dominion \$2,450,000. The Dominion would receive from what is at present Provincial revenue \$30,000,000, the

province would pass on. That is to say the province would get a clear amount of \$2,420,000. The province would pass on \$135,000 to the municipalities.

The province would receive \$580,000 from the Dominion on account of highways and it would pass all this money on to the municipalities.

The province would receive \$252,000 on account of agriculture, the Dominion Government receiving \$1000.

- On account of public health the province would receive \$151,000.

For the maintenance of public institutions the province would receive \$1,143,000.

For the maintenance of hospitals the province would receive \$320,000.

For child welfare, \$72,000.

For old age pensions the province would receive from the Dominion Government \$1,861,000 and the Dominion Government would receive in revenues which at present go to the province, \$1,330,000, showing a net gain for the province of \$531,000.

For unemployment relief the province would receive from the Dominion \$12,499,000. The Dominion would receive from sources which now go to the province \$2,553,000.

The province would pass on to the municipalities out of the money it received a matter of \$3,278,000.

For mothers' allowances the province would receive from the Dominion Government, or I should say, would gain from the Dominion Government over and above present arrangements, \$417,000.

Charities \$13,000.

For the maintenance of labour department services \$95,000, the Dominion Government taking \$14,000 that now goes to the province.

The Dominion Government would save the present subsidy of \$2,129,000 that goes to Saskatchewan. And the Dominion Government would save \$890,000 which now goes to Saskatchewan from the School Lands Fund.

The Dominion Government would receive \$1,108,000 from the corporation tax.

The Dominion Government would receive approximately \$149,000 from succession duty tax, and the provincial government would gain from the taxpayer by income tax \$119,000.

That is, the summary would be that the provincial government, the province would gain \$19,853,000, but against that there will be set off the fact that the Dominion Government would collect \$8,000,000, or I should say, \$18,953,000, but the Dominion Government would collect \$8,204,000. Therefore, there would be a net gain to the province of eleven and a half million dollars. The province would pass on \$4,000,000 of this to the municipalities and the province would actually gain from the taxpayers \$1,511,000, instead of the \$119,000 that it gets at the present time. There would be a gain of \$8,204,000 for the province from the Dominion. The Dominion would lose, that is to say its expenditures on Saskatchewan would increase by \$11,649,000, only \$1,511,000 of this would represent increased taxation on the taxpayers, and the municipalities would gain \$4,005,000 from the provincial government. There would be a general surplus on the basis of these figures in 1934 of \$1,087,000.

This is particularly important because of the hard situation in Saskatchewan and the virtual problem of Saskatchewan carrying on under present conditions.

THE ACTING CHAIRMAN: Now Brunswick would be in the red?

MR. BUCK: Yes, New Brunswick would have a deficit. But there I think it is permissible to point out that that deficit would still be smaller than the present. But even a province like Ontario would gain by these proposals, you see. On the basis of the figures the province of Ontario would gain, from the change in taxation, from the taxation of all interest over and above 3%, \$8,813,000. For education it would receive from the Dominion \$11,522,000; it would lose to the municipalities, in the sense that the municipalities would gain, \$255,000.

The province would receive from the Dominion \$3,390,000 on account of government highways. It would pass this all on to the municipalities. That is to say that it would pass that revenue to the municipalities.

For agriculture it would receive \$1,203,000, and it would lose to the Dominion a matter of \$88,000 that it is collecting today.

For public health it would collect from the Dominion \$854,000, and it would lose \$26,000 which it at present collects from the municipalities.

For public institutions the province would receive \$8,006,000 from the Dominion Government.

For hospitals \$1,197,000.

For child welfare \$245,000.

For old age pensions \$9,969,000. It would give to the Dominion, or I should say lose to the Dominion, \$7,298,000. It would pass on to the municipalities \$912,000.

For unemployment relief it would gain from the Dominion \$31,466,000. It would lose to the Dominion \$14,019,000; and pass on to the municipalities \$245,000.

For mothers allowances it would receive from the Dominion \$3,030,000 and pass on to the municipalities

\$1,366,000.

For labour it would receive \$480,000.

By the Dominion subsidies the Dominion government would gain or save \$2,941,000. Out of the common school fund the Dominion Government would save \$73,000. By corporation tax the Dominion Government would receive \$6,511,000 and by Succession Duty tax the Dominion would receive \$6,515,000. The province would gain from the taxpayer \$8,918,000 by reduction of interest paid to 3% and \$5,000,000 by other means, by income tax.

Representing a net gain to the province from the taxpayer of \$13,918,000, and from the Dominion of \$71,362,000. The Dominion would pay more to the province to the extent of \$33,917,000.

The province would gain more from the taxpayers to the extent of \$13,000,000. The provincial government would pass on to the municipalities \$6,196,000.

There would be a surplus on the basis of these figures which are based on 1934 revenues and expenditures of \$9,841,000 in the province.

Now, it is correct, as you have pointed out, Mr. Chairman, that New Brunswick would be in the red and it is a great pity that the figures would not have worked out as we wished instead of as they do, but "il faut qu'on voit les choses tel qu'elles sont". It is necessary that we face these things. The deficit for New Brunswick would work out to \$105,000. And I think it is necessary to place the fact that some of the Maritime Provinces are in a position, a situation, that is a little different from the situation of the central provinces or even the position of the Western provinces. There is very little industrial development. There is very little growth of population. And for the Maritime Provinces

the Dominion subsidy represents a much larger factor proportionately than it does for a province like Ontario or Quebec. While it may amount to only the same amount per head of population it represents a much larger factor in the revenue as a whole and the provincial income as a whole. And it would be necessary, provided the Provincial Governments carried out their duties, they impose all taxes according to their ability to tax, that the Dominion Government should shoulder the deficits out of ordinary revenue, even if it were not assumed it would do that indefinitely, there would have to be a fairly lengthy period to give the provinces time for re-adjustment on this basis.

A summary of the total net gains which the provinces would make as a result of the Dominion taking over those responsibilities is set out on page 83, -

Pardon me, I made a mistake in reading this deficit of New Brunswick, I said \$105,000, - it is \$450,000.

With the exception of that there is again, a surplus for every province, making a total gain, that is the increase that would accrue to the provinces, of \$82,309,000.

I must, at this point, in order to prevent any misunderstanding, point out that my first figure for New Brunswick was correct. The deficit would be \$105,000.00, but New Brunswick would actually lose to the Dominion, \$450,000; that is to say, that although New Brunswick would lose to the Dominion \$450,000, New Brunswick's deficit would only be \$150,000. Every other province would gain, even to Prince Edward Island, which would gain \$132,000.00; Nova Scotia would gain \$1,800,000.00, and so on down the list with Ontario gaining the most, \$33,917,000.00.

Now, this would also aid the municipalities. On the basis of those figures it is obvious that had this method been in effect in 1934, the municipalities would have saved approximately \$150,000,000.00. In the chart opposite page 84 of the brief, we have set out these savings as they would effect municipal expenditures and as they would effect the various provinces. There would have been a gain of approximately \$150,000,00.00 which would have been reflected in a very marked reduction of the burden on real property. A serious consideration of the problem of municipal government involves a realization of the burden on real property. It is extremely heavy, particularly on residential property and the fact by this change a matter of \$150,000,00.00 per year could be saved by the municipalities, and more in good years, and that this could be reflected in reduction of the burden on real property, particularly residential property, is an important argument in its favour. It would, to some extent, relieve the municipalities, which would give an impetus to building and this would have a widespread effect in other ways, beyond the mere saving of money.

During the year 1934, the total tax receipts of the Canadian municipalities were, apparently, not much more than \$250,000,000.00. Our proposals, therefore, would result in a saving and in a reduction on real estate taxation of about 50 per cent. The municipalities of Quebec would save \$38,000,000.00 and yet their total taxes in 1934 were only \$60,000,000.00. The municipalities of Ontario which collected \$118,000,000.00 in 1934, mainly from real estate, and to a great extent from the small home-owners and renters, would save under our proposals, \$65,000,000.00. This is a little more than 50 per cent. The savings of the municipalities of the three prairie provinces would have been equal to the amount which they collected in taxation in a year such as 1934. Of course, this leads to the question of what would have been happening to the Dominion budget.

An examination of the accounts of the Dominion government for that same year which ended March 31, 1935, reveals that a deficit was incurred, after charging unemployment relief and the Canadian National Railway's deficit, of \$107,373,000.00. The total tax revenue was \$302,443,000.00. of which \$237,635,000.00 was in the form of indirect taxation. These indirect taxes were paid not only by the 200,000 people who earned sufficient to be taxed on their income, but they were paid by those people who received something generally in excess of \$2,000.00 but by 3,600,000 other gainfully employed people whose average income was not in excess of \$570.00 per annum. These people paid a larger percentage of it, absolutely, in relation to their own income.

Therefore, we propose that the Income Tax Act must be amended as I have already outlined. We give two

examples of taxable income in the brief. The first example is the taxable income of John Doe. His salary is shown as \$10,000.00 and the rental received from houses as \$10,000.00. The expense of maintaining the houses is \$9,000.00. This leaves a balance over of \$1,000.00 from the houses. Dividends amount to \$12,000.00, and interest and carrying charges as well as investment to \$2,000.00. This leaves a taxable balance of only \$10,000. The earned income therefore is \$21,000.00. The capital gains amount to \$5,000.00, and the capital losses to \$7,000.00. Therefore, he cannot pay taxes on capital gains, but we propose that capital losses shall be chargeable only against capital gains, and not chargeable against capital income. Therefore, although his capital losses were \$2,000.00 more, we propose his taxable income shall be \$21,000.00.

The next example given is that of the income of Robert Jones. His salary amounts to \$5,000.00. Dividends, interest, and investment, amount to \$6,000.00. This means his earned income is \$11,000.00. His capital gains are \$8,000.00 and his capital losses \$4,000.00. In this case there is an increase of \$4,000.00, that is of capital gains over capital losses. Therefore, his taxable income is \$15,000.00.

A schedule of the proposed rates is attached to this brief. This schedule is prepared similarly to the schedule for the present income tax Act. The rates for individuals are broken into three schedules, the first being from 6 per cent to 60 per cent on the total income over exemptions, the second being from 10 to 20 per cent on investment and capital gain income and the third being a general surtax of five per cent. Using these rates,

a schedule has been worked out wherein it is estimated that \$228,250,000.00 could have been collected in individual income tax, had these provisions and rates been in force in 1934. This represents an increase of \$195,250,000.00 in revenue for the Dominion government. The table upon which we set this out is opposite page 88 in the brief. It sets out in fairly routine form the taxation and the headings under which the taxes would be carried. It shows a total proposed tax revenue of \$228,258,000.00. The increase being \$195,000,000.00 over what was collected in 1934.

Of course, one of the obvious arguments which will be advanced against this is that people will raise the question as to whether those are logical rates of interest to charge. It will be seen that the rates amount to less than 4 per cent on the total income, for an income of less than \$4,000.00 per year. Between \$4,000.00 and \$5,000.00 the rate of tax is 7 per cent and the tax rate mounts rapidly, then, from 13 per cent on incomes between \$5,000.00 and \$6,000.00, up to 40 per cent on incomes of \$9,000.00. The rate rises rapidly until it reaches 59 per cent on incomes of \$100,000.00.

It has been estimated by people who have discussed this, that we would have been far better had we placed heavier taxes on the medium incomes and not quite such heavy taxes on the higher incomes. Our position in this respect is that an income of between \$5,000.00 and \$6,000.00 a year cannot stand such extremely high taxation. It is not too high a standard of living which such a man enjoys. The higher taxes should be placed on those people who would still have large incomes, even after the 59 per cent tax has been paid. We realize that almost every capital-

ist--we say almost because some will take the rational point of view--almost every capitalists will say that these rates are preposterous. Nevertheless, we believe ~~on~~ the basis of the figures presented earlier, this income tax would yield more than it has in the past. Even with these rates, these people are left with more than \$100,000.00 a year. It is rather difficult for a poor man in our country to see how in a disastrous year such as 1934, an income of \$100,000.00 a year could be justified.

In the next table, we have set out the tax for corporations, which shows that we could have increased the amount receivable by \$22,833,000.00. This is done by stepping up the present rate of corporation tax and by graduating the tax. To do these things, of course, it would be necessary to abolish many of the special privileges such as the special privilege which I mentioned of the exemption of one-third of the income received from the investment in mining stock, that is, metal mining stock.

We submit that the depletion of the mines should be treated in exactly the same manner as depreciation of plant in a manufacturing corporation. The actual cost of the mine should be written off out of production, and when completely provided for, no further allowance should be made. The Hollinger mine and several other mines are in this position. When the cost of the mine has been so written off, the capital invested in the mine will no longer be offset by the cost of the mine on the balance sheet, but by other assets which have been acquired out of the proceeds of production. Unless these new assets are new mines, no further depletion would be necessary. Insofar as dividends are concerned,

none should be declared before a surplus has been earned after proper charge has been made for depletion. Therefore, persons receiving mining dividends should be granted no further allowance for depletion. It has been estimated that if these submissions were put into force, not less than \$4,000,000.00 would accrue annually to the Dominion treasury.

I have already mentioned, I think, that we propose a tax on the dividends received by corporations from other corporations. I have mentioned the undistributed profits tax. We also believe that there should be a tax imposed on exported profits, profits which are sent from Canada to escape the responsibility of Canadian taxation. It is estimated that about 20 per cent of Canada's wealth is owned outside of Canada. In as much as it is proposed to tax Canadian corporations on dividends received from other Canadian corporations at 50 per cent, it is submitted that where Canadian subsidiary corporations paid dividends to foreign parent companies, a similar tax of 50 per cent should be imposed at the source. It is proposed that dividends paid to foreign individuals be taxed at 25 per cent and that all interest paid on public and private debt whether paid to foreign corporations or individuals, be taxed at 25 per cent. This rate is chosen because it is believed that foreign individuals would be subject to an average tax of 25 per cent under the present proposals if they were Canadian citizens and residents of this country. In other words, it is based on a conservative average total annual income of \$15,000.00. This rate is the highest rate applicable to income in the domestic corporation tax schedule.

Then, we have a new phenomena in Canada at the

present time. Many of the wealthy owners of Canadian industries and those in receipt of large dividends and revenues from Canadian corporations, are leaving the country to escape the taxes. They are generally referred to as "run-away millionaires", but we refer to them as Canadians residing in Nassau, and similar places to escape taxation. We believe that the income of these people should be taxed. The incomes are produced in Canada out of resources which belong to Canada, by the labour of Canadian people and their incomes are, in a measure, a result, not only of these resources and the labour of these people, but of the taxation paid by the other people who are living in Canada. It is our belief that it is absolutely inequitable to allow them to go and live in another place where there is no income tax and thus escape paying income taxes which they would have to pay in Canada. We propose that the full tax which would be payable if they were living in Canada should be deducted from their income before it is paid to them and that the corporation should be charged with the responsibility for its transference to the Dominion government. It is estimated from figures concerning foreign capital at present invested in Canada and concerning the amount of dividends and interest paid to the foreigners, that the last two proposals, would if in force in 1934, have brought revenue to the Dominion treasury in an amount not less than \$75,000,000.00. This is an average of 25 per cent of \$300,000,000.00 of profits paid to foreign capitalists. The actual amount collected from these sources in 1934, was less than \$6,000,000.00, so that the increase would be a matter of \$69,000,000.00.

The interest and dividends on Canadian capital

invested abroad probably amounted, in 1934, to \$100,000,000. Of this amount, it is estimated that 75 per cent was received by corporations. Perhaps half of it can be assumed to be dividends. It is proposed that Canadian corporations should pay a tax of 50 per cent of such dividends as it represents an investment of undistributed profits. Undistributed profits have never yet been taxed, and this tax should replace that of 15 per cent which is now imposed. The increase in tax from this source would approximate \$15,000,000.00.

I have already mentioned the Succession Duties. We believe that by a uniform Succession Duties Tax, all over the country at an equal rate, but higher than the Income Tax, the total income from this source would be approximately \$126,000,000.00. The total increase from this source would be approximately \$114,000,000.00 for the country on the basis of those figures and those changes which I have pointed out.

The table in which we set out the Dominion budget for the year 1934, shows that there was a deficit of \$107,000,000.00. There could have been changes made which would have produced a surplus of roughly \$74,000,000. Perhaps this is an answer to the question--"Where is the money to come from?". The money can be obtained if we put the right taxes into force. It should be pointed out, however, that the year 1934 was one of the worst during the recent depression, but our brief has shown that the tremendous wealth which flowed into a few hands could have given enough public revenue to leave the Dominion's budget with a surplus of almost \$75,000,000.00. This is possible after relieving the provinces of \$82,000,000. expenditure and the municipalities of \$150,000,000.00 of

expenditure, and after abolishing indirect taxes of \$85,000,000.00 as well as including the actual deficit of the Dominion in that year of \$107,000,000.00. If the figures were available for 1935 and 1936, it is certain that in each of these years increasing surpluses would have been possible and of sufficient amount to lower the national debt by millions of dollars.

The whole of the proposals contained in our brief would, if put into effect, release tremendous sums for the expansion of industry and farming and make possible in a large measure, the absorption of all unemployed at rates of wages permitting a reasonable standard of living. It would have introduced new blood into the life of the nation and would have permitted the release of many of those at present unemployed from the demoralizing situation in which they now find themselves and given them an opportunity, not only for development, but to find a place in life in which they could hold up their heads and feel as if they were really part of Canada.

In chapter six, the final section of our brief, it is our contention that the people of Canada have, through their Parliament, the right to a legal constitution as well as a moral one. The carrying out of the measures of this constitution would be our own responsibility as well as that of our elected representatives. It is true, that we generally accept the theory that the British North America Act cannot be amended by the Canadian Parliament. I do not think any one objects to the idea of cooperation with the British Parliament in such an amendment, but we must start from the realization that a re-distribution of the powers and sources of revenue, as at present set out in the British North America Act, would require changes.

There must be constitutional changes as the constitutional allocation of powers is, at present, inadequate. The proposals we make, therefore, involve constitutional changes.

The question as to how these constitutional changes should be made sometimes overshadows the question of whether they should be made. We propose that the changes must be made. The question as to how they should be made resolves itself into a question of which is the most efficient. This is the question, but there are several points of agreement which lead up to our position. First of all, Canadians are largely agreed that appeals to the Privy Council should be abolished. We recommend this and we believe that political autonomy and judicial subservience are irreconcilable. The surveys of Privy Council decisions that have been presented to this commission in other briefs, all show the harmfulness to Canadian the procedure which has been followed in the past.

So far as we are concerned, we wish to emphasize that the Privy Council has not been the guardian of the rights of minorities. This statement is often made, but the history of Privy Council decisions and judgments do not bear it out. An analysis of cases dealing with educational, racial and religious issues, shows that the Privy Council has, in fact, given less recognition to minority demands than has the Supreme Court. This fact is pointed out in an article on the "Privy Council and minority rights", which is contained in the Queens Quarterly. In addition to the question of the Privy Council and its decisions, several of which are set out in our brief in detail, there is the fact that the Dominion government could enact legislation which would abolish the right of

appeal to the Privy Council from a judgment of the Canadian Supreme Court by amending the Judicature Act, but a constitutional amendment is required in order to prevent appeals from the provincial courts. The constitutional amendment on the question of the Privy Council applies, in the same sense, as the constitutional amendment for unemployment insurance.

At the present time, the question of amendment to the British North America Act, as contained in the mind of the average Canadian, has to do with the question of unemployment insurance. The amendment to the British North America Act to permit the Dominion government to enact national insurance legislation or to abolish the right of appeal to the Privy Council, entails precisely the same problem as any amendment to the British North America Act, in general. We contend that Canada could, if she wished, and if Parliament were so desirous, of her own will abolish or amend the constitution. The Statutes of Westminster, it is true, did state that any Act of British Parliament effecting the Dominion, except the British North America Act, could be repealed or amended by the Dominion Parliament. It is true, in that sense, the statute of Westminster excludes the B.N.A. Act as one of the Acts which can be abolished or amended by the Dominion parliament. Despite this exception, Canada can, in fact, amend or abolish her constitution under the recognized rules or conventions respecting the British Empire. These conventions are generally accepted as binding as an expressly legal ruling. For instance, the British doctrine of the supremacy of Parliament, enables the Imperial Parliament to repeal the Statutes of Westminster, but there is a constitutional convention

to the effect that it cannot do so without the consent of the Dominion and this is a sufficient restraint for the protection of the Dominion.

The significance of conventions in Imperial relations was described by the conference on the operation of Dominion legislation in 1929 as follows:

"The association of constitutional conventions with law has long been familiar in the history of the British Commonwealth.... such conventions take their place among the constitutional principles and doctrines which are in practice regarded as binding and sacred whatever the power of Parliament may in theory be."

The most fundamental convention respecting Canada's power to amend her constitution is set forth in the report of the 1926 Imperial Conference, which states that Great Britain and the Dominions, I quote:

"Are autonomous communities within the British Empire, equal in status, in no way subordinate to one another in any aspect of their domestic or external affairs."

This convention is further supplemented by a statement in the same report. I quote:

"It is the right of the government of each Dominion to advise the Crown in all matters relating to its own affairs.....the constitutional practice is that legislation by the Parliament at Westminster applying to a Dominion would only be passed with the consent of the Dominion concerned."

In the publication entitled, "The British Empire", published by the Royal Institute on International Affairs, these points are emphasized and further, in the same docu-

ment, it states:

"Questions affecting judicial appeals should be determined.....in accordance with the wishes of the part of the Empire primarily affected."

These conventions do make it clear that Canada has the power to amend the British North America Act, if she so desires and if Parliament is willing. If the doctrine of equality of status is meanful, Canada, like Australia, South Africa and the Irish Free State, is able to amend her constitution and to repeal or amend any bBritish Act forming part of the law of the Dominion. If Canada's status is equal to that of the other Dominions', she is able to amend the British North America Act without the consent of the British Parliament. Equality of status implies ability to amend the constitution; while inability to do so is the denial of the quality of status. That Canada can amend her constitution follows also from another constitutional convention, namely, that she can legislate on all matters relating to her own affairs.

We, therefore, recommend that the Dominion Parliament pass an amendment to the British North aAmerica Act giving to the Dominion government control over all social legislation, all matters respecting labour, all matters relating to companies and marketing, giving to the citizens of Canada a Bill of Rights, transferring Succession Duties, and taxes on corporate income entirely to the Dominion, abolishing the Senate and abolishing entirely appeals to the Privy Council. This Act should also set forward a future amending procedure, and on this matter we recommend that amendments passed by the Dominion House of Commons and agreed to by two-thirds of the provinces shall become parts of the Constitution.

COMMISSIONER ANGUS: You say "amendments passed by the Dominion House of Commons and agreed to by two-thirds of the provinces shall become parts of the Constitution." Do you think it is not necessary to have that approval for the specific amendments you have suggested?

MR. BUCK: As a matter of fact, we want to point out that while it has been the practice to consult the provinces we do not believe it is to-day considered essential.

COMMISSIONER ANGUS: You propose to do it in this order, to make the proposed amendments and then say any further amendments - - -

MR. BUCK: Should be submitted to the provinces.

COMMISSIONER ANGUS: And not do it the other way around, and say that the Constitution shall be amended by the Government of Canada in concurrence with the consent of two-thirds of the provinces and then go ahead and see if you can pass the proposed amendments?

MR. BUCK: We say "in the past the provinces have been consulted about changes in the Constitution, and of course they should be consulted about proposed changes." We believe that consultation and conference is good. "When they have been consulted in the past, however, they have never given unanimous consent, nor has it ever been required for the amendments which have occurred. Indeed in only one case were all the provinces consulted; in other cases only some of them were consulted; while in still others there was no consultation at all." Now, I realize this does not answer your question as to whether two-thirds of them are necessary, six out of nine. Well, the Communists are very much inclined to put an emphasis on democracy, not only in the relationship between ourselves and our own organization but in the general carrying through of measures. We believe that consultation with the people and the encouragement of the expression of the will of the people is one of the best

guarantees of democratic progress, and from this point of view I must confess that we did not in any discussion consider the advisability of putting forward the point of view that the Dominion Government should be considered as a sufficient authority to amend the Constitution regardless of the opinion of the provinces. Personally I feel that some cognizance must be given to the expressed will of the provinces through their provincial governments, whether it should be six or five or a bare majority. But I must confess I have not given enough consideration to it. Our opinion is that in general two-thirds of the provinces should give their consent, - we should try to get the consent of two-thirds of the provinces.

COMMISSIONER ANGUS: There are really two questions; one is, what is the desirable procedure for amendments, the two-thirds majority ^{or} as in Australia, some sort of plebiscite; then the second question is, should that procedure be adopted before those very important amendments can be considered, or should the amendments be carried and the procedure adopted after.

MR. BUCK: I would propose that the amendments should be introduced into the Dominion House, and the Dominion Government should enact the amendments because the initiative must be taken, and it is only by the taking of the initiative that the people of Canada become seized with the real importance of the question at issue. Initiative by the Dominion Government; and I think the Dominion Government, with due consultation, of course, could actually enact the legislation.

COMMISSIONER ANGUS: Well, the question is really this: Why should the more elaborate method of amendment that you propose for the future **not** be desirable in the case of the very important amendments which you say should be carried out

at once?

MR. BUCK: You see, it is a question of, are we willing to separate the question of say unemployment insurance, -- which is my particular interest, -- are we willing to separate that from the broad general principle of how is Canada to amend her Constitution? While personally I feel very keenly about the need for unemployment insurance and that the Dominion Government should be enabled to enact on it a national unemployment bill, at the same time I also feel it is very important, while dealing with unemployment insurance, the question of the right to amend the Constitution and the methods of amendment should be established, that we should not separate the two questions.

COMMISSIONER ANGUS: I will give you one more example. Suppose the Parliament of Canada were to decide to pass the amendments ^{you suggest} and suppose, following your suggestion, they passed the proposed bill of rights, for instance, before the more elaborate procedure had been adopted, -- a bill of ^{which} rights/like the bill of rights in some other countries, might affect not only personal liberty but property and contract?

MR. BUCK: If it protected property under the bill of rights and under the democratic laws of the country, certainly I would accept it.

COMMISSIONER ANGUS: I mean it might very well preclude some of the things you have been asking for in the brief.

MR. BUCK: Then I should not like it, but I should have to try and carry on the contest against it in the same way we are trying to carry on the contest against some of these other things. We cannot accept, at any rate, that a bill of rights or a law or a method of procedure will be based only upon what is desired by one section of the population. The other section should also be able to exert its influence.

COMMISSIONER ANGUS: Are you not proposing an easier

procedure for the amendments you want, but a difficult procedure for the amendments you do not want?

MR. BUCK: I do not think so. It may be perhaps in our keen desire to get the unemployment amendments through that will permit the enacting of unemployment insurance we have stated the case in rather a concrete form, but actually so far as we are concerned we feel just as keenly about the question of the right to amend the constitution and the methods by which it shall be done as about the question of actually getting something through, as you might say, in connection with unemployment insurance.

COMMISSIONER DAFOE: Do you not assume that the House of Commons will do this? You say the "Dominion Parliament". The Senate is an integral part of the Canadian Parliament and suppose they do not consent to the bill, do you suggest that the Commons shall declare itself the sole repository of power and consider the Senate as being no part of the Parliament of Canada?

MR. BUCK: In effect, our proposal is that the House of Commons should be supreme, and that the House of Commons should initiate this legislation and should enact legislation.

COMMISSIONER DAFOE: Regardless of the Senate?

MR. BUCK: Yes, regardless of the Senate. Of course, as long as the Senate is there the Senate will act and the Senate will perhaps reject the bill, but it is part of our general proposal for the changes in the Constitution and the British North America Act that the Senate itself should be abolished.

COMMISSIONER DAFOE: Well, it would be more accurate to say "the Dominion House of Commons" rather than the "Dominion Parliament".

MR. BUCK: You are correct, Sir, in that particular

case, we should use the term "Dominion House of Commons" .
I welcome that correction also.

Now then, we recommend that the Dominion Parliament--
or I think perhaps it would be correct to say the Dominion
House of Commons, pass amendments to the British North
America Act, giving to the Dominion Government control over
all social legislation, over all matters that I have named,--
abolishing the Senate, and abolishing the appeals to the
Privy Council; this Act should also set forward a future
amending procedure, and on this matter we recommend that
amendments passed by the Dominion House of Commons and agreed
to by two-thirds of the provinces shall become parts of the
Constitution. Though it would do no harm to ask the British
Parliament as an act of courtesy to ratify these amendments,
the next time should be the last on which that is done, and
if the British Parliament should by any chance refuse to
follow the convention of agreeing, we would recommend that
such a vote should not be accepted.

We have a footnote in the brief in connection with this
same publication of the Royal Institute of International
Affairs in which it points out that it has been authoritatively
stated that a refusal of the Parliament of the United King-
dom to accept the action of the Canadian Parliament as
representing the wishes of the Canadian people would be an
unwarranted interference in Canadian affairs.

COMMISSIONER DAFOE: Does that directly refer to the
procedure of amending the Constitution?

MR. BUCK: That is taken directly from a publication
published by the Royal Institute of International Affairs,
and entitled "The British Empire".

COMMISSIONER DAFOE: The reference might be to some
other action by the Dominion Parliament and not the pro-
position you are submitting.

MR. BUCK: It is not an official statement of the Institute of International Affairs but at the same time I do not think it is presumptuous on my part to say that I think that is a generally accepted authoritative opinion, that if the Dominion Government, the House of Commons, asked for an amendment or proposed amendments, that they should be accepted by the British House. We are all inclined, of course, to accept those points of view that lend themselves a little to our views.

Now, in connection with this whole question and in particular in connection with the social legislation and the question of the Bill of Rights, we have included some detailed factual material concerning conditions in Quebec. I am not going to take up the time of the Commission with reading it, but I want to emphasize it is very important. It concerns not only Quebec but it concerns the whole of Canada. The conditions of labour, the low wages, the lack of social services, the lack of educational facilities in Quebec create a serious condition and a serious situation for the whole of Canada. Dr. Hamel, speaking in the Quebec Provincial House, cited cases such as the following: In a parish near Quebec City, a firm employs 75 workers at a maximum wage of .08 cents an hour and a minimum of .05 cents. In a mine in a neighboring county, the men work 12 to 14 hours a day and are paid 0.12 and a half cents an hour. In Quebec City, the average wage of grocery clerks of 14 to 20 years of age, is \$3.99 a week, the general average for those from 20 to 30 years of age, is \$6.92. In bakeries, married men work 12 to 14 hours a day, seven days a week, for a wage of \$7.00. For women, the minimum wage in Quebec is 40 per cent lower than that in Ontario. There are girls in domestic service working for the equivalent of two to three cents an hour.

THE ACTING CHAIRMAN: Many of those figures have been

raised by the Minimum Wage Board, and you cannot rely on them now.

MR. BUCK: Since the brief was prepared the Minimum Wage Board has raised the figures, but the standards are still considerably below the standards established in Ontario, and we are justified in quoting from Dr. Hamel's figures not because we can swear that they are the figures of to-day but because it is the base on which they had to start within recent months in an effort to correct some of the evils on which they were working.

Some of the statements submitted to the Turgeon Commission investigating the textile industry, were revealing in this connection, and the result is to be shown in the results of unemployment. Unemployment has ravished the health and shattered the social standards of thousands in Montreal during the past few years. I do not suppose that the same thing has not happened in a larger or lesser degree in other cities of Canada. But in Quebec we find it in its extreme form. The Family Welfare Association carried out a study of all families that had had help during January, and this was the result: Out of every hundred families of unemployed there were thirty cases of more or less permanently disabling illness; seven families where lack of clothing prevents children from going to school; nine families where overcrowding is serious enough to cause immorality or serious family difficulty; twenty-three showing completely lost or badly impaired moral standards; fourteen where the children are running wild. In sixty-six of the 591 families studied by the association, the strain of worry has precipitated situations that were threatening to cause the break-up of the home. In fifty-one others the father had actually deserted, leaving his wife and children ineligible for relief. I quote these figures not so much as a means of show-

ing that people are suffering, although that is very important, but as showing the effect upon the national life and national standards of low standards of life and unemployment that is unprovided for. The same thing may be said of education. Ontario has 460 public libraries; Quebec has 26. Of these only 9 can be considered as French-Canadian. That is, even if we include the library of St. Sulpice, now closed to the public. There are three other French-Canadian libraries in the rest of Canada. Ontario spends yearly on its public libraries \$1,203,062; Quebec \$189,865, including its parish libraries. In other words, one-seventh of the amount. Now, here again I quote this not merely as showing how little opportunity there is in Quebec for reading, and for public library facilities, but largely as a reflection of the lower standard of life, the lower standard of income, and how it affects daily life. In Ontario the daily circulation of books runs to more than 14,000,000 volumes; in French-Canadian libraries, only 600,000 volumes. We could go on with a large amount of material.

The toll taken by tuberculosis is twice as high in Quebec as it is in Ontario. The infantile mortality rate in Quebec is an infamous scandal. While the rate for Canada as a whole is 73 deaths per thousand live births, the rate in Quebec at the beginning of this year stood at 105.7. The figure for Montreal is 118.7; for Lachine, the appalling figure of 333, one child out of every three dies before it is a year old. These figures place our Cities in the same category as the worst centres in the world from the point of view of infant mortality. The worst four Cities in the world, listed by the Canada Year Book, are Madras, Bombay, Quebec City and Montreal.

The terms of reference of this Commission state that it has been represented - I quote:

"That unless appropriate action is taken, the set-up of governmental powers devised at the time of Confederation will not be adequate to meet the economic and social changes, and the shifts in economic power which are in progress, without subjecting Canada's governmental structure to undue strains and stress."

Developments in the Province of Quebec now make it necessary to raise quite frankly before your Commission the question of whether it is possible for Canada to exist as a unified nation with one part of it pro-fascist, and it may almost be said, fascist, and one part democratic. The development of fascism in Quebec to-day threatens Canadian unity. Not that it is only in Quebec that it has developed, there are developments in other parts of the country, but because the development in Quebec is significant; not so much because of the numbers of young men who are being trained by the fascist party, but because it has developed under the direct protection of the government and it has become an instrument, in some measure, of governmental policy, - provincial government policy. The slogan of provincial rights which is raised at this time by the fascists and by their sympathizers is a part of the general slogan of provincial rights raised by reactionary interests, and is actually a cloak for an attack upon Canadian democracy and upon the standards of living of the masses of Canadian people. The only way in which fascism can be overcome is by a strengthening of democracy in Canada, and, in the constitutional field, by an overhauling of the governmental structure so that urgent steps can be taken through the Dominion Government to improve the lot of the mass of our people, and to maintain civil liberties in Canada. In this connection I wish to emphasize that the question of

social legislation and the centralization of legislative power in the hands of the Dominion Government also raises the question of the guarantee of civil liberties and civil rights.

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At the present time the padlock act in Quebec brings to a focus the constitutional issues discussed in this section. Under the guise of fighting communism and in accordance with the program of those who advocate corporatism in Quebec, including both the dominant party in Quebec and the open fascists civil liberties have been trampled underfoot. The present situation shows the need for a Canadian bill of rights and for a procedure giving the citizen regress when those rights are invaded. The padlock act was passed as a subsistute for section 98 which had been repealed by the Dominion Government. It takes away largely civil rights and robs the citizen of his right to appeal, if I can use somewhat lawyer's language, his right to carry his appeal to the foot of the throne, on questions that directly concern the question of civil rights in the province of Quebec.

If in the present conflict between the democratic masses of Canadian people and the monopoly interests on the issue of economic security the monopoly interests win, democracy will be completely destroyed in Canada. The problem of national unification to open the way for social and economic security for the common people bears fundamentally upon the destiny of democracy. The reactionary interests are already entrenched in positions of great power. Fascism in Canada grows daily more dangerous. Moreover, this is not merely a domestic problem because the fascist powers have already brought the World to the brink of war and it is their aim to penetrate various parts of the British Empire in order to influence foreign policy in favor of their war aims.

I may say in parenthesis that I have in my possession

letters, the original documents which are addressed from Germany to a young man in Canada, telling him where to go for assistance, who will provide his fare back to Germany, who will establish his membership in the National Socialist Party and that man is a Landerleiter of the National Socialist organization in Canada, named as Mr. Karl Gerhard and his address is given as 117 Keefer Building, Montreal, which is also the office of the German Consul. And I feel it is quite justifiable to point out that these things are not merely a matter of a few young men running wild, they are matters of government policy and government policies are entirely entwined in matters of fundamental human rights at the present time.

"Our proposals of economic security for the people, completing the work of national unification would mean the defeat of reaction and fascism in Canada. To attain this, the democratic power of the people of Canada must be strengthened and freed from anti-democratic restrictions left in force by Confederation. It is inconceivable that the strengthened centralized government powers to open the way for the measures needed by the people would be sought without established guarantees of the democratic rights of the people. Reaction seeks control of existing central government powers and will seek to strengthen them for purposes opposite to those of the democratic interests of the people.

Therefore, the completion of work in the interests of democracy, left unfinished by Confederation, must go hand in hand with the

completion of the work to bring economic security. We need a Canadian Bill of Rights. Such a Bill of Rights should guarantee the economic, social and cultural equality of rights of the French-Canadian people. It should proclaim freedom of speech, press, assembly and religion and establish guarantees against the infringement of these rights. It should establish the right of labor to organize, and place outside the law the methods used by capital to frustrate and destroy this right. It should free parliament from all veto powers and introduce the democratic, unrestricted franchise in all elections on the basis of proportional representation."

These things, Mr. Chairman and gentlemen, have been the special tradition of all British people for all generations. They have been held up by us in the radical movement, as well as by more conservative people, as representing some of the greatest achievements of the British people. It is unnecessary for me to recount or remind you of the tremendous struggles that were fought by the people both of England and our country to gain these rights and to establish them, and we feel inasmuch as our forefathers fought for these rights long ago, it is necessary to emphasize the fact that these rights should be secured by something more than the tradition that they are our rights. They were never more insecure in Canada than they are today.

No effort towards a fuller and more complete conception of national unity will be worthy of the name unless it strengthens and broadens these democratic rights of the Canadian people. Fuller national unity

is essential but it must be buttressed by the strengthened democratic rights of our people, because on this path only will be found prosperity, freedom and happiness for the people of our land.

All of which I very respectfully submit to you on behalf of the central committee of the Communist Party of Canada.

THE ACTING CHAIRMAN: Mr. Stewart, have you any questions?

MR. STEWART: Shall I proceed, Mr. Chairman?

THE ACTING CHAIRMAN: Yes.

BY MR. STEWART OF MR. BUCK:

Q. There are a few questions, Mr. Buck, that I would like you to consider. First of all, as to the distribution of the national income. On page 16 of your brief you indicate that \$1,840,000,000 was paid in wages and salaries during the year 1934. What is the exact source of your information?

A. "The Canadian National income in 1934 was \$3,600,000.

To this must be added about \$100,000,000. About \$1,840,000,000 or half was paid out in wages and salaries". The main source of this information, of course, is the Dominion Bureau of Statistics, in its statistics for wages in various industries and for various groups.

Q. Well, I would like you to refer directly to the book and page in which that is available? A. Mr. Chairman, with reference to this question, which I appreciate as being quite germane, I shall be very glad to submit this. I have not got the book here and certainly it would be rather unwise for me to guess at the exact page or pages when it comes from several tabulations. But the Canadian Year Book, as the main source, and the publication called "Wages and Hours of Labour in Canada" published by the

Department of Labour, as the second main source, contain these figures. I should be very glad to submit a memorandum giving you the exact details of the tables and pages and the publications, which are all Dominion of Canada publications. I am afraid that that is the most concrete that I can be at the moment.

Q. Could you tell me the source of your figure of \$475,000,000 as the share of the farmers?

A. Yes. You see, we were compelled to estimate this mainly on the basis of the figures published by the bank of Nova Scotia. We were also compelled to use to some extent a comparison with the previous year, for which we have exact data. For example, if you look over to page 24 you will see that farm income in 1934 was about \$500,000,000. this is considerably lower

"than the figure of net value of agricultural production which is often used, but the latter figure neglects many costs. The Bank of Nova Scotia finds the total income of all the staple industries - farming, primary forestry, mining, fishing and trapping - to have been only 784 millions in 1934. Assuming that agricultural income was the same proportion of this total that the net value of agricultural products was of the net production of the larger groups, a figure of roughly \$500,000,000 is obtained. From this must be subtracted the wages of farm labor, which have been included in income from wages. There are 200,000 farm laborers according to the census of 1931, and estimating wages at \$125 apiece." This leaves

farm income proper at \$475,000,000.

Now, avowedly this is an estimate. It is an

estimate based on the most authoritative figures available to the public and in this connection I would like to repeat, as I did during the presentation of the brief, that we are naturally in no position to say "This is our figure". What we do say is that we are convinced that this is the most exact figure available on the basis of the figures published, but inasmuch as unquestionably this information is available, we would urge that even if not for publication, measures should be taken so that the Commission could be provided with the exact figures. We are confident that the exact figures will bear out our own, if not to the dollar, at least very closely.

Q. What is the source of your figure of \$300,000,000 that went to the group which the census classifies as employers and workers on own account? A. That is on page 25, is it not? It comes from the census figures. This is the group that is classified as employers and workers on their own account, and they are dealt with quite thoroughly or fairly thoroughly in volume 5 of the seventh census, 1931 census. The main basis for our estimate was from this volume, from the statistics.

Q. Well now, are there any statistics in that volume to which you refer that indicate \$300,000,000 as the income of that class? A. No, but there are figures and statistics which give us a basis from which to work, to establish the income of that class.

Q. Well, I would suggest, Mr. Buck, that the Commission is entitled to know the basis on which you work these figures out. Is it not true that this analysis you make on page 16 is fundamental to the whole case you have presented? A. Absolutely, it is the basis for our proposal for the re-distribution of national

income, and if our analysis of the re-distribution of national income is incorrect in any large sense in principle, naturally it affects the very presentation of the case.

Q. It invalidates the case? A. I would not say it entirely invalidates the case, but it certainly invalidates our proposal as to what should be done with the Dominion and Provincial budgets. It does not invalidate the case in the sense that a modification might mean an entire invalidation, but in connection with these two groups, the general group referred to as employers and workers on their own account, it includes domestic servants and houseworkers. It also includes 50,000 persons who are religious workers. It is fairly easy to establish an estimate of the general wages paid to domestic servants and house workers. The publications of the Dominion Bureau of Statistics give you this almost exactly. It is easy to establish an estimate of the wages paid to people who are religious workers. And as to the income of the second class, that is the independent professional workers, physicians, lawyers, architects, music teachers, artists and religious workers, while it is not easy to establish the individual income, it is easy to establish the income group into which they fall as to the relationship between themselves, their numbers and the income, these statistics in general, and if we assume, as we may, 50,000 persons as religious workers in general are not highly paid, that the 150,000 people who fall into that category of domestic servants and houseworkers, artists and teachers, music teachers and so on, who receive very low incomes, then the rate of \$300,000,000 is certainly not low for that group. While, as I say, it is an estimate, I do not think in that case

we erred in setting a low estimate. The figures are available. We should welcome the Commission getting the exact figures from the census department and the Dominion Bureau of Statistics and from the income tax department. So far as we are concerned we stated a figure which we felt confident would stand up and of which the criticism might be that it was too high rather than too low. Obviously we could do no more. Obviously we cannot get the exact figures when the exact figures are not available to the public. But here also I certainly would welcome the exact figures being unearthed and being provided for the Commission.

Q. The method of your calculation, Mr. Buck, is, after having estimated the wages, the farmers' share and the census group classified as employers and workers on own account you throw the entire balance into what you call the capitalist hands? A. Yes sir.

Q. With the result that any errors that you have made in your calculations fall naturally in the amount that you claim went to the capitalists?

A. That is true. You see, here is the point, we know what the estimated national income was. This is provided for us by the Dominion Bureau of Statistics and by large banks in their monthly letters. From the two or three figures published, which varied very very slightly, the figure of \$3,600,000,000 is an average and this coincides almost exactly with the Bank of Nova Scotia estimate and with the Dominion Bureau of Statistics for the total income. Much of it is represented in goods which have not yet been disposed of. Much of it is represented in what I have spoken about as money ploughed back into enterprises. We can find out how much, out of that income, went to the people who worked for wages

and salaries, how much went to various professional groups and so on. What is left is obviously left as the property of the owners of the industry. If a man received \$5000 a year salary and he then received another two or three thousand a year as dividends on investment, then he receives salary as salary earned and he receives income as an investor, but in dividing up income, the \$5000 that he received as salary is known definitely, that can be set aside as part of the money paid in wages and salaries, and the other \$2000 that he received as dividends, certainly belongs in that other part of the national income, the part which was not paid out in the form of wages, salaries and fees, which can be traced. The result is that we have adopted the well established method of tabulating the actual moneys paid out in wages, salaries, fees, etc., and treated the residue as the return to capital.

Now then it is quite obvious that if we make errors, large scale errors in our figures, on the amount of money paid out in wages and salaries, this would be reflected in an inverse manner in the figure of the amount left for capital. For example if we produced a figure which said that the amount paid out in wages and salaries was 20% lower than it actually was, it would make the amount left with the capitalist 20% higher than it actually was, assuming that they were actually equal, and it would make a difference of about 40%. But I do not think we have done that. I think that our figures, where the figures are available, our figures are exact; where they are not exact they are based upon estimates utilizing the most exact and official figures available, and the amount that is left, the amount that is left as the capitalist share of the national income, is an amount that coincides very

closely with all figures that have been published and all estimates of this kind.

So while I can agree that if there were errors in our figures as to the amount paid in wages and salaries and income to farmers and so on, these would be reflected in the amount left with the capitalist, I can agree with that, I cannot agree with any suggestion that there are such errors in the brief. I think the brief will stand up to very close investigation.

Q. Mr. Buck, you are aware of the fact that the \$3,600,000,000.00 estimate of the Canadian national income includes subsistence allowance to workers such as domestic and agricultural workers? A. Yes, absolutely. A farmer does not have to buy milk and perhaps he does not have to buy vegetables. There are a lot of things like that which he does not have to buy. Similarly, workers who work for the farmer are affected by this. It would have been wrong to work out an allowance in this estimate. What we have been dealing with is the money received, the income received.

I might go further and point out that during this year, 1934, the unemployed workers received a total of \$100,000,000.00 in unemployment relief money. This was expended on unemployment relief, but we do not include it. Why? For two reasons; the first is that all this money came out of taxation, anyway. Secondly, a large part of it was paid for labour performed and included in the wage rates. Thirdly, in working out a division of the national income, where there is no national unemployment insurance, it is not a part of our task to minimize the need for unemployment insurance by considering money which is given as a more or less semi-charitable grant out of taxation. Therefore, this question of subsistence was quite deliberately excluded as not bearing on the actual facts.

Q. My question is simply directed to this, are you aware of the fact that the estimated national income of \$3,600,000,000.00 includes an amount for subsistence income?

A. Pardon me, I did not understand your question. Yes, I understand it includes an amount estimated to have been consumed by the farmers and by the people who live

on farms. What they consume out of their own production is taken into consideration. I do not believe this amount is sufficient to justify us in changing the amount we state as the Canadian national income.

Q. Could you tell me, also, whether the \$475,000,000.00, which is the amount fixed as received by farmers, includes the subsistence? when you divided this up? A. No, it does not. The \$475,000,000.00 is our figure of the cash received, the income received by the farmer.

Q. And your figure of \$1,840,000,000.00 paid in wages does not include any allowance for subsistence?

A. No.

Q. Nor, the \$13,000,000.00 which was the amount received by domestic servants? A. No.

Q. If these figures for subsistence were allowed for in your estimate, the amount would be taken off the \$1,085,000,000.00 which you have charged to the capitalist, would it not?

A. Yes, if those figures were included, they would be taken off the \$1,150,000,000.00 which we have allowed as the capitalists' share. I should also mention that there would also be counter-balances by certain--I do not call them subsistence figures, but figures of a similar category which could also be taken into consideration.

In excluding those figures, we do not do so with the idea of strengthening our argument; we do so with the idea that it is extraneous a matter and would only confuse the issue. I do not think it would make very much difference to the actual relative figures.

Q. Are you aware of the fact that the census showed 108,000 agricultural labourers, not including family workers? A. Yes, we put the figures at 200,000, that is, the agricultural labourers. We know that a large

them. Substantive figures, but figures of a similar category which could also be taken into consideration. In excluding these figures, we do not do so with the idea of strengthening our argument; we do so with the idea that it is extraneous a matter and would only confuse the issue. I do not think it would make very much difference to the actual relative figures.

Q. Are you aware of the fact that the census showed 100,000 agricultural laborers, not including family workers? A. Yes, we put the figure at 200,000, that is, the agricultural laborers. We knew that a large taken off the \$1,150,000,000, which we have allowed as the capitalists' share. I should also mention that there would also be counter-balance by capital--I do not call them substantive figures, but figures of a similar category which could also be taken into consideration.

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number of the members of the family are working for the farmer. We did not reduce the farmer's estimated income by what he paid to his son, because the income is family income. We say that \$475,000,000.00 went to the farmers. This is family income and if the farmer paid some of that money to his son or daughter, that would not affect our calculation or for the wages to the labourer he hired. The fact that a great many of the members of the families were working on the farms does not really enter into the question as to how much the cash income of the farmers amounted to. It represents the amount they received for their labour. This does not alter the figure of \$475,000,000.00.

Q. Are you aware that the number of private domestic servants was 150,034 in the census? A. Yes, I think we are aware of that.

Q. I think I have already asked and you promised to give us the specific calculations by which you arrived at the figures of \$1,840,000,000.00, \$475,000,000.00 and \$300,000,000.00, respectively shown on page 16 of your brief. I have already asked for that, and you said you would give your calculations, Is that correct? I am not asking you to give that now. A. Those figures will be submitted in detail. I wondered if possibly Mr. Smith had enough material available to give them now, but I think it would be better if we could give them in detail, giving the source and authorities.

Q. If you had deducted this sum from the national income of \$3,600,000,000.00, you would throw the whole balance as you have already said, to the capitalist. Does that include such corporations as the insurance companies?

A. Yes, that includes all income.

Q. It has been given in evidence before this commission that the insurance companies of Canada are handling a part, at any rate, of the savings of 3,500,000 Canadians. Have you taken that into consideration? A. Yes, we have taken all those facts into consideration.

Q. Where have you given effect to it in your brief?

A. Insurance companies are doing business with 3,500,000 Canadians, and they are doing business for profit. It is quite correct that 3,500,000 Canadians are investing such monies as they can save in the insurance companies. We do not believe the measures which we have proposed are going to affect the solvency of the insurance companies. Personally I would like to point out, if there were a question of the solvency of the insurance being affected by adequate taxation, it would raise the question as to whether insurance companies should be permitted to continue as private institutions because our tax, that is, the tax proposed is not upon the money given to the insurance companies by the people who are investing in policies. It is upon the profits made. The profits of an insurance company are not supposed to be paid directly out of the premiums; not at all. Furthermore while it is true that some insurance companies started dabbling in common stocks a few years ago, generally speaking, the actuarial arrangements of an insurance company provide and must provide as a principal of carrying on business that it should have its income in the safest securities. When we realize that a large number of countries are giving interest rates equal to only 2 or $2\frac{1}{2}$ per cent, I do not think there is any suggestion that our brief is endangering the savings of 3,500,000 people in Canada.

Q. Mr. Buck, I think you miss my point entirely; I

am saying that when you arrive at the figure of \$1,085,-000,000.00, which you put as the earnings of the capitalist class, you are putting in the earnings of the insurance companies representing 3,500,000 Canadians. A. On the contrary, the premiums--for instance, I have an insurance policy and the premium on that, I have to pay out of my wages. All the premiums are paid out of wages. Similarly, the premium which a capitalist pays comes out of what he receives from the national income. What we have tried to do is to divide the national income into these groups, wages, and salaries, or money paid for services performed, and that received for property ownership. The fact that a farm labourer or wage earner may pay money out for the premiums on his insurance policy does not affect this division in the least.

Q. Mr. Buck, if that is so, how do you estimate the national income at \$3,600,000,000.00, is it a net figure?

A. The national income according to the definition given by the Dominion Bureau of Statistics embraces all production of wealth, production for the year. Obviously, it is an estimate as they point out in the Dominion Bureau of Statistics. It could only be an estimate and obviously we can only work out an estimate. If we start to deduct from this the profits made by insurance companies or the increase made by any assets of the insurance companies, we might perhaps be in a position of infringing upon the assets saved up by the people, but we would not be strengthening in any way the brief.

Q. That is just what I am drawing out; having failed to take those things into account you have grievously erred in the division of the national income. A. It is my suggestion, if you will forgive me for taking the opposite point of view, that the way in which we have

divided it is the correct way, if we are going to have any logical basis on which to extend a division of the national income. We could only divide it on the basis of the money paid out for services and the money which was received for ownership. In general, the money which went to insurance companies as a result of their investment was money for investment which is the same as if it went to other companies.

Q. Turning to page 20, we find the division of the salaries and wages paid according to classes. I suppose you would concede the point that the 350,000 agricultural labourers and private domestic servants occupy the bulk, if not all the first two groups as well as a very large proportion of the third group? A. Yes, mainly the first two groups.

Q. It could not be "mainly", when there are 99,000 out of about 450,000 people. A. No, I am sorry, but you see that second column has been dropped. Unfortunately we cannot afford to have quite as good typographical work done as we should. The 31,000 is really the top figure and the 796,000, the second figure.

Q. Where does the 68 come in? A. Pardon me, you are right then, it is in the first four groups.

Q. In your figures on the actual wages and salaries earned, you allow nothing for subsistence income for those people, do you? A. No, we speak only of the cash which would actually come to the average one.

Q. The subsistence which they get surely should be taken into account when comparing them with those who do not get subsistence income. A. As between two men, each of whom receives \$20.00 a month, the one who receives his subsistence in addition to his wage is in a very

favourable position in comparison to the one who does not get it. Obviously, that is so, but in relation to the economy of the country as a whole, and in relation to the proportion of the national income which goes to the capitalist class, it is not such an important consideration. I do not think it would be correct to assume that the people who form the labouring and domestic servant group and who receive subsistence in addition to wages, that the value of the subsistence which they receive has any important bearing on the division of the national income.

Q. Mr. Buck, I am stating that if you added their \$240 or \$300 each to the incomes of the 350,000 people in your first three classes, it would throw out the percentages and comparisons rather badly, would it not?

A. If we put \$240 or \$300 each, it would, but unfortunately, those people do not receive \$240 or \$300 worth of food. I know that because I live among them. My own children do not get that much.

Q. Would it not represent the value of food and lodging?

A. When you speak of food and lodging, here again you are speaking of what the individual receives rather than the national wealth. The national income of the country--

Q. We are not talking about the national income, we are talking about your division of the wage into classes.

A. Yes, in that case, we should add considerably to what they received, but we should detract from the correctness of our division of the national income. It is the division of the national income we are after, rather than merely to show what a group of individuals receive.

Q. Now, turning to page 2; for a moment, I suggested to you yesterday your comparison between Canada and the

United States in respect of the percentage of the national income attributable to property was based on the fact that the two calculations were made in different ways, have you ascertained that? A. Yes, Mr. Sims went to the Parliamentary Library in the hope that he would be able to get the book itself. We thought perhaps we could quote the exact statement from the book. However, in general, you see, the figures given here and the figures given in Moulten's book on the income and economic progress, are comparable.

THE ACTING CHAIRMAN: Mr. Stewart, we might perhaps adjourn now and resume at 2.30.

(The Commission adjourned at 1 p.m.)

AFTERNOON SESSION

The Commission resumed at 2.30 p.m.

MR. STEWART: I was submitting a few questions to Mr. Buck at the adjournment.

Q. In the Table of distribution of wages on page 20 you include the unemployed in the second column, number of persons, do you not? A. Yes.

Q. Whether employed or not? A. Yes, this includes people whether employed or not, as classified in the census.

Q. If we do take into account the subsistence income as a part of the income of the classes indicated in Table 1, it would have a very great effect on your average incomes for the various classes as shown by the following pages, would it not? A. If we included subsistence income for these classes then naturally it would be necessary for us to differentiate between the cash wages received and the amount allowed for subsistence. If we did that, the difference upon the wages of the individual and the group of individuals would not be so great. I hope you will pardon me if I interject here that the thing we have been driving at in the brief is to secure an estimate of the division of the national income, which is a different matter to the one we are discussing at the moment. But discussing the actual question of how much these categories of people receive, for 200,000 farm labourers we have allowed \$125.00 per year, each. Now, it is true that if those 200,000 farm labourers were employed for 365 days of the year this would work out at only \$10.50 per month, and that might be considered as an average monthly wage because that is not very far from the average monthly wage. But the difficulty is that a very large number of these farm labourers work only three or four or five months of the year, and the allowance there is considerably higher than \$10.50 per month. Secondly,

the average farm labourer cannot be considered as a man who lives on the farm, and has everything provided for him and gets his money in addition. Down along the north shore of Lake Erie, which is perhaps the most concentrated section of hired farm help in Canada, the farm labourers go to work in the morning and home at night, as in England. They work for wages. Similarly in the West a man goes to work for a few months of the year, perhaps only two or three months, and he gets his full pay while he is working; for the rest of the year he gets no wages and no subsistence. The figure of \$125.00 per year for each farm labourer does allow considerably more than the actual money he receives in wages. There is room for discussion as to whether it allows for his full subsistence for the year because of the fact that he does not work for a whole year on the average. Similarly with domestic servants; we have allowed \$300.00 per year per person. Now, no person in Canada will suggest that the average wage of the domestic servant is \$25.00 a month. As a matter of fact, we happen to know a lot of these people personally, and I know that far from that figure is the correct figure. Toronto is perhaps the centre of the best wage; I should not say best, but the least miserable wages for domestic servants, and in Toronto there are thousands of girls employed as domestic servants at \$6.00 per month. I say "thousands" quite deliberately. Well, it is true that there are a few - and I say few in comparison with the general number, of domestic servants who have been established for a long time in good families get \$20.00 per month, they are very few in comparison with a great number.

Q. Just there, Mr. Buck, would it be of interest to you that 150,000 domestic servants, as shown by the 1931 annual census, were receiving in cash annual wages at least \$280.00 on the average, and the 200,000 agricultural workers were receiving \$304.00 annually? Those are the figures.

A. If those are the official figures I have to accept them, naturally. Far be it from me to question them.

Q. That is the report of the census of Canada, 1931, Volume 5, Table 27?

MR. SMITH: That is 1931. The proportions have been altered on the general census proportion for 1934.

Q. The brief does not show any basis for any alteration in those figures on any official statistics available?

A. I do not think anybody will question that wages in general declined tremendously in that period, and the wages of these people more so than most; When it gets to the point that the Dominion Government gives \$10.00 per month to a farmer to take a labourer one can judge what has happened to farm labourers' wages. I do not quite get your point when you speak about the amounts paid. Although you were referring to 1934, I realize now it must have been 1931. I certainly think that it will be agreed that the amount of wages paid to these people in 1934 was not by any means comparable with the amount paid in 1931. But the important fact, the fact that is more or less decisive in this connection is that the division of the national income would not be very largely affected by this. I do not want to get away from the question of how much those people receive; I understand that it is a serious thing for Canada as a whole when we state that people are working for a wage as low as \$125.00 per year.

Q. This is in answer to my last question. I want to refer you to your own brief at page 24. "There are 200,000 farm labourers according to the census of 1931, and estimating \$125.00 apiece, farm income proper is reduced by \$25,000,000." I am submitting you were using the 1931 figures which officially are \$304.00 and not \$125.00? A. If you will read that paragraph, "Farm income in 1934", we state there

quite definitely we are basing the 1934 figures on the estimate of 1931, allowing for the decline in prices.

Q. Give us the two figures from which you work?

A. We give the average decline.

Q. What is it; let us have it? A. I can give you that quite easily. I certainly am not going to start guessing at what our exact percentages and figures were.

Q. My suggestion at the moment ^{is} that the \$125.00 was a guess, Mr. Buck, and I put it to you that it is a guess?

A. In as much as it is an estimate based upon 1931 figures and upon our knowledge of a reduction in wages you may, if you want, characterize it as a guess, although there is a vast difference between an estimate based on figures and a guess. But I must repeat that much closer facts than we had available to us are available to the Government and, I hope, to the Commission. No one would be more glad than ourselves to see these exact figures published. Even if they are not going to be published no one would be more glad than ourselves that the Commission should get them. I happen to know personally a number of farm labourers, I happen to have spent a lot of time speaking to them. I also know hundreds of domestic workers, and I can assure you if these figures that are given here were published as being the opinion of a serious public person, - that a serious public person believes the average farm labourer gets \$280.00 per year, and the average domestic servant gets something of that sort, it would create a doubt as to the honesty of Dominion statistics in the minds of these people. We know they are not getting that amount of money.

Q. We want to take your brief as submitted, and if you will indicate to me the process by which you arrive at \$125.00 as the average income of farm labourers, based on statistics for 1931 and 1934, I will not press further on this phase.

But I think in as much as you have made the estimate we are entitled to know the basis on which it is made? A. The process by which we arrived at this sum is on the basis of the estimation that the average farm labourer does not get more than six months work in the year, and the average farm labourer gets considerably less than \$20.00 per month; we estimated at \$20.00 per month and we allow this \$5.00, - \$125.00 per year for the farm labourer. And, as I said, we estimated this on the basis of 1931 figures plus this fall in wages that had taken place in the meantime.

Q. You have no further figures to go by? A. No.

Q. Now, dealing again with the share of the farmers in the national income, on page 24, you have only charged the farmers with their cash income; the subsistence for themselves and dependent members of their family is not charged in? A. No.

Q. But it is included in your three billion, six hundred millions of national income? A. Yes.

Q. And by a process of deduction it is included in the one billion, eighty-five million that you charge against the capitalists? A. Yes.

Q. How many farmers are there in Canada, according to the statistics? Have you the number? A. We have the figure right here; 928,000 farmers, totalling about 3,500,000 dependents.

Q. With their dependents, about 3,500,000? A. Yes.

Q. And the subsistence of that 3,500,000 people therefore has been eliminated from your division of figures of annual income as well as that of the 350,000 agricultural labourer and domestic servants? A. Yes.

Q. Turning to page 25, heading No. 4, you say "A study of the income tax figures indicates that in 1934 only about \$20,000,000 of this total went to those receiving less than

\$5,000. taxable income". Can you give us the basis of that calculation?

A. Yes. You see, here again we were compelled to estimate to some extent. We estimate \$11,000,000 of an investment income and this is fitted in with the income tax figures for 1936, which were related closely to the income earned in 1934; \$11,000,000 of investment income for this group. We raised it to \$20,000,000 just to be sure that we would be conservative in our estimate.

Q. You had no figures covering the unassessed incomes from property?

A. No.

Q. That is the whole amount of the national income, or the whole amount of the income of individuals that did not show in the returns to the Income Tax Department by reason of their deductions or the fact that they were non-taxable?

A. No, we did not have those, for that specific group, separated.

Q. The income tax figures would not give you any unassessed income figure?

A. No.

Q. Table No. 5 on page 30, would you give me the source of the figures used in that Table, - source or sources?

A. This is to some extent a composite made up of the figures that are published annually in the Canada Year Book and the figures, which are largely estimates but which are considered as carrying some authority, of the Bank of Nova Scotia.

Q. Well, I would like to get the process by which you arrive at these figures? You understand that the Commission has economists and experts working on these figures and we would like to be able to check them?

A. Well, I think the process is fairly obvious. The total net income, the national income, is published annually in the Canada Year Book, by the Dominion Bureau of Statistics. The assessed income is also published annually by the Tax Department. Now then, by deducting the amount of income assessed from

the total net product, the total annual income, we get the balance, which is the income not assessed. It is simply a matter of deduction, and by the change in that balance from year to year we get the change in our index figure of the amount of income assessed as compared or contrasted with the amount of income not assessed, year by year. That is all that Table purports to show; although, of course, it also reflects very sharply the difference between the change in the income of the country as a whole and the change in the income which is assessed for taxation.

Q. If you will just turn back for a moment to page 16, you make the statement "the Income Tax Department's figures of 'Taxable net income' are much lower than the actual income in the upper brackets." Have you any basis for the statement other than the fact that the taxable net income does not agree with the figure of one billion, eighty-five million that you have arrived at in the previous paragraph?

A. Yes. We have, for example, the concrete evidence that quite a few people who have large incomes have escaped from Canadian taxation entirely. I do not want to appear flippant in this respect, but it is a concrete illustration of the situation. For example, a man who has an income of \$3,500,000, who pays no income tax, certainly his income has influence on the gross income in Canada and throws it out of proportion to the amount on which taxes are paid, but then, of course, we say quite frankly that the difference is mainly in capital gains, represented by capital gains, upon which no income tax is paid.

Q. Just a moment, there, Mr. Buck. The national income of three billion, six hundred million, from which you made your starting point, does not include capital gains?

A. Pardon me, it does. The national income as estimated by the Dominion Bureau of statistics includes all production

during the year. I know it does not take into consideration the increased stock value, the increased market value of stock in say the Noranda Mine, but it does take into consideration the production value of the product in Noranda Mine.

Q. It does not take into account the capital value of any assets? A. No, but the capital value does reflect

what they produce. Taking this concrete example of the Noranda Mine, with a capitalization of only one million shares, which were sold at varying values, running from the time of its original promotion of less than \$1.00 to a few dollars a share, it has built up a tremendous investment value; at times the market value has totalled about \$70,000,000, and out of profits in the meantime it has built up a refinery and extended its own holdings. The market value is not taken into consideration in the national income, but the production of that mine is taken into consideration, - the value of production.

Q. And also the amount that they earned and did not distribute in income? A. Yes.

Q. That is included in the three billion, six hundred million? A. Of course, they are reflected in the capital gains.

Q. But that is taxed, is it not? A. No, not at present. Undistributed profits?

Q. Yes, taxed in the hands of the corporation. A. Is there a tax on undistributed profits to-day?

Q. If it is part of the corporation being taxed, surely?

A. But nobody pays personal income tax on it. And consequently if the corporation reinvests this in enlarging its own earning capacity it is not taxable. Taking the same example of the Noranda Mine, the workings of this mine are developed and its earning capacity is extended out of

current earnings without this being regarded as profits, or income.

Q. But whatever they have earned as a net income, Noranda has paid taxes on to the Government? A. As net

declared income, yes, they paid a corporation tax. But there has been no personal income tax on it, of course.

Q. On page 59 you refer to irrigation projects. Have you any detailed information on that which you wish to place before the Commission? A. No, we have no detailed

information prepared. To those of you who have travelled in the West, particularly in Southern Saskatchewan and Southern Alberta, it is obvious there are tremendous possibilities for local irrigation work to safe-guard the productive powers of the farms. Not irrigation projects which are on a gigantic scale of say the whole province, but projects which would save large districts and would develop an oasis, as it were - -

Q. Perhaps you are loading up the record. I am merely asking for detailed information. You have none? A. No.

Q. On page 60 you suggest the age for qualification for old age pensions should be reduced to sixty years. Do you know of any country in which that has been done? A. No.

I cannot name you any one of the great capitalist countries where this has been done. But at the same time I do not know that Canada, or the people of Canada have ever yet assumed they have to wait for these things to be done in other countries. If it is possible, and I do not think there is any question it should be done, - there is very little opportunity for a man of sixty years of age to get employment these days.

Q. If he is working should he give up his work? A. Very few men who are in employ will quit for the sake of the very inadequate allowance that they would get as an old age pension, very few. I know men to-day who are over seventy

and continue to work. I know of an elevator operator, a worker in the office building where we are located, who quit work because he had to. He was considerably over 70; he had remained at work because \$12.00 per week was considerably better than \$20.00 per month. I do not think that reducing the age limit to 60 would mean in any way that a man who has reached sixty would immediately feel himself compelled to quit work if he is earning enough to live on. It is only to provide for those who cannot.

Q. On page 62 you make the suggestion that capital gains should be included in income. But when you come to give a practical explanation of that you exclude net capital losses as a deduction in the income tax. Can you indicate any reason based on figures why that should be? A. Yes.

A man pays income tax upon his income, his income varies by and large with his capital investment. At the present time if a man has capital gains ultimately it will be reflected in his income and he will pay more income tax. If he has capital losses ultimately they will be reflected in his income and he will pay less income tax. Our proposal is that his capital gains, in addition to paying more or less income tax as his income varies, he should pay income tax on capital gains. Now then, why is it that we are not willing to suggest that a man's capital losses should be set off against his income so that he pays less tax on capital gains? First of all, because capital gains in general over a period of years represent an ascending period, not a declining period. Capital losses in any one year taken out of income for that year, would be of advantage to the Government but certainly not to the nation. On the other hand, capital losses taken out of his capital gains merely give us the net figure of what his actual capital gain was, and if it should happen in a certain year his capital losses

overshadow all capital gains then he pays no tax on capital gains. But there is no justification for reimbursing him for his stock market losses out of his income tax.

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(Page 9857 follows)

COMMISSIONER ANGUS: But there is for charging him for his stock market gains in the better years?

MR.BUCK: Yes, absolutely.

COMMISSIONER ANGUS: That is the point you make?

MR.BUCK: Absolutely.

MR.STEWART: Q. Mr.Buck, is your purpose in making that suggestion any more than the destruction of accumulated capital?

A. No, on the contrary, far from destroying accumulated capital this would increase accumulated capital. Accumulated capital is not a piece of paper or a receipt from a stock broker.

Accumulated capital is mines and factories, the means for wealth production. That is the real accumulated capital of the country.

Q. Then I will change my question so it will perhaps save a little time, - accumulated capital in the hands of individuals? A. Not even so, the accumulated capital in the case that I speak of would not decrease in the hands of individuals. What it would do would be that the individual would pay a larger portion of his income from accumulated capital and a larger portion of the increase on his accumulated capital into the common pool for the common welfare. It would not be destructive, because you cannot separate the question of capital accumulation from the market, and by increasing the market, extending the market, raising the purchasing power of the people, actually there would be more inducement to invest, more opportunities for investment, and the amount of capital available, that is, the amount of new capital, would tend to increase.

COMMISSIONER ANGUS: Mr.Stewart, might I ask one question there? Mr.Buck, on page 63, at the middle of the page "Capitalists would still invest as wisely or

as foolishly as they do at present", - at the end of the second paragraph?

MR.BUCK: That is right "Capitalists would still invest as wisely or as foolishly as they do at present", yes.

COMMISSIONER ANGUS: Do you mean as wisely or as foolishly from their personal standpoint?

MR.BUCK: Yes.

COMMISSIONER ANGUS: Or as socially desirable, as they do at present?

MR.BUCK: No, I must confess in this particular respect we are referring really to the fact that not all capitalist investment can be considered wise, aside from the question of the social welfare. But the capitalists themselves do not always display the best judgment, and what we intended there was that some investments would remain and they would tend to respond to the same temptations, we may say.

COMMISSIONER ANGUS: He will be as wise or as foolish as he now is in his own interests?

MR.BUCK: In his own interests, that is what we should say.

COMMISSIONER ANGUS: You still have not answered what the consequences in our economic structure would be? Would they be good or would they be bad? His own interest might conceivably lead him to employ his capital under those conditions in a way that was less desirable socially than what is done now?

MR.BUCK: Yes, of course we can scarcely prognosticate what he will do. You see here again we are faced with this question, is the legislation that we outlined necessary, how is it to be financed? And while it is quite true that under those circumstances a capitalist

might quite conceivably make up his mind that somehow or other he is going to invest his money in an anti-social activity or to smuggle it out of the country, we have to face these possibilities, and we cannot guarantee that every man who has money to invest is going to invest it from the point of view of the social welfare of the people or the point of view of what is best for the country as a whole, and I think perhaps it would be a mistake for us to commit ourselves to any definite hope that they would do so. I am inclined to think that under these conditions thousands would go on from the point of view of capitalist investment pretty much as they are today.

MR. STEWART: Q. On page 65, Mr. Buck, you are suggesting that sales taxes, excise taxes and custom duties, except where absolutely necessary for the protection of Canadian industry, should be removed and the place taken by steeply graduated income tax?

A. Yes.

Q. But in the middle of the first paragraph on page 65 you say "and everybody would pay his fair share". Now, I want to suggest to you that having regard to the exemptions you provide in your proposed income tax - if you will turn to table one on page 20 of your brief --

A. Yes?

Q. Your suggestion is that a fair share means that a relatively very small number of people would be paying anything at all? A. Yes.

Q. The others would be paying nothing? A. That is true.

Q. Do you think that the language you have used "pay his fair share" fairly designates such a situation?

A. If we approach it from the viewpoint of a man who has to maintain a family on from \$10 to \$12 a week, then to

suggest that another man is taxed so that he has nothing more than \$50,000 or \$60,000 left for himself, does not suggest anything more than the rich man is paying his fair share. The question of fairness here, of course, is a matter of what do you consider fair. Do you consider it fair that people who are making \$10 and \$11 a week should pay taxes to help make it possible for other people to draw enormous dividends, or do you consider it fair that every cent possible shall be taken from the enormous dividends to make life easier for the great mass of the people?

Q. Do you think it is a healthy society in which approximately from 80 to 90% of the people do not have any taxes whatever to pay?

A. I think it is far more healthier ---

Q. I am not asking you to compare it with something else, I am just asking do you consider it healthy?

A. I think it would be a very healthy condition of society if every man in want had a measure of comfort and security.

Q. That is not answering my question? A. Your question was ?

Q. My question is, do you think it is a healthy state of society when from 80 to 90% of the people pay no taxes whatever? A. Well, of course, if Mr. Stewart should insist that I answer yes or no, I should be compelled to adopt the recourse of saying I prefer not to answer the question.

Q. Very good, I will be quite willing to accept that answer, Mr. Buck? A. But I would like to make a statement if I might be permitted the privilege, that there is no suggestion in our brief that anything should be done which would eliminate all taxation or that this 80% of the people would not be paying taxes. There

is no suggestion to eliminate corporation taxes entirely, there is no suggestion to eliminate personal taxation entirely. There is no suggestion we should eliminate customs duties entirely. There is only the contention that we should eliminate them as far as possible. Furthermore, I want to point out that the question of the health of a society and otherwise, while it is very germane, and I want to be on record as saying that so far as we are concerned, we are the last people to suggest that our people do not want to feel responsible for the country and to participate in all necessary services and in the maintenance of them. But it rather changes it to suggest that our proposal is that 89% should, as it were, get by without any responsibilities, and all the responsibilities should be placed on the 11%; whereas what we are trying to do is even up the responsibilities, that is the one-tenth of 1% who at the present time do not carry anything like a share of the burden, that is in conformity with what they get out of the country, should pay a little more. And while I certainly hope that Mr. Stewart does not feel that I was trying to evade the question, I feel that it is necessary that we should state the other side of it also.

Q. Mr. Buck, at page 67, the last whole paragraph, you use this expression "But also those large stores of wealth and property which are being hoarded in liquid form". To what do you refer? A. Yes, "Large stores of wealth and property which are being hoarded in liquid form". Those largely concern the question of government securities, etc., At the time this brief was written or prepared there was a large amount of such securities which were non-taxable. Aside from

this question an increasing amount of capital is now being, as it were, salted away in this liquid form. Then of course there is the fact that plenty of our large corporations have big stores of undistributed profits.

Q. In what form? A. In the form of investments in other corporations, investment trusts and so on.

Q. What have the other corporations got part of their assets invested in? A. In property, in earning capacity and in the securities of other corporations.

Q. It is not very liquid if it comes back like that? It is not liquid in the sense of being movable or removable, is it? A. Well, it is liquid in the sense that ^{the} security may be sold at the market at almost any moment.

Q. Now, you suggest a corporate income tax varying from fifteen to twenty-five per cent according to the amount of the earnings? A. Yes.

Q. What is the basis of such a suggestion? A. The basis of such a suggestion is this - there are two bases.

One that the high degree of concentration in Canadian industry, the fact that out of nearly 11,000 companies which are assessed for income tax for the year under review thirty-five of them made 50% of all profits, and that forty-five per cent of the other half of the profits was made by a number of about 349, that 400 companies made nearly 75% of all the corporation profits in Canada during that year. That is the first basis.

Q. Before you leave that basis, surely the ownership in these larger companies was much more wide-spread than in an equal number of smaller companies? A. No, I would not say that.

Q. You would not say that? A. No.

Q. Have you made any analysis of that? A. I have not analyzed the figures definitely but the size of the company is not necessarily a barometer by which you can judge how widespread its ownership is. And secondly, while there would be more shares of stock, I would agree with you there, there would be more shares of stock held, there would be larger capitalization. The fact remains here you have 75% of the corporation profits of Canada, and the size of the profits and the rate of profits give a much better opportunity and certainly much more justification for the higher rate of taxation.

Q. Would it not be a very easy thing for the larger corporations to split up into exactly the same share ownership and get from the 25% class into the 15% class?

A. That is true.

Q. Without any corresponding benefit to the society that you envisage? A. That is exactly the second point.

It is quite true that any corporation can issue more shares and thereby reduce the amount per share that is available for distribution as dividends, but on the other hand the investment of the company, the rate of profit in proportion to the investment and in proportion to the turn-over is easily available to the income tax department, and a corporation which makes over a certain rate of profit on its invested capital and its turn-over for the year can certainly afford to be taxed more heavily than a corporation which, in a year, say makes 5% on its investment and turn-over. Our proposal therefore of the graduated income tax on corporations is based on the belief that there are a large number of corporations in Canada - I mentioned one of them in my brief, - the

Lakeshore Gold Mines, which paid out \$12,000,000 in dividends and paid out \$2,800,000 in wages - we say that such a company could easily afford to pay 25% corporation tax, whereas 15% might be as much as a small company with a much smaller rate of profit could afford to pay.

Q. You are not suggesting, are you, that the ability to pay depends upon size? A. No, on earning power.

Q. Or that earning power depends upon size, are you suggesting that? A. No, earning power does not always depend upon size, but there is a very close relationship to them in fact.

Q. Is there any more relationship than this, that a larger corporation probably has, in proportion, or relatively, smaller overhead? A. Also enjoys, very often, the advantage of monopoly prices and elimination of competition?

Q. Turning to page 66 for a moment, I suppose your organization regards a promise as binding? A. Yes.

Q. How do you regard your tax proposal on Government bonds? Do you regard that as living up to a promise on Government bonds? A. Absolutely.

Q. You do? A. Yes. We regard a bond issued by the Government as obligating the Government to meet the interest rate on that bond until proper measures are taken to change it. But here is a situation in which I feel myself to be pretty much in the same position as Oliver Cromwell did, I have to choose between the rights of the people and the rights of privilege, and as long as correct measures are taken for lowering it, then privilege must be willing to accept some sort of lowering, lessening of advantages. And when we propose the cutting

down of interest rates to 3% it is from no spirit of recklessness, but merely that Canada must come into line with what is now general in a large part of the capitalist world.

Q. In spite of its promise? A. Of course if we want to say that Roosevelt and Chamberlain and Baldwin have broken their promises then I suppose it is all right for us to do so.

Q. There is no need to drag anything into the record, I am simply questioning you on your proposal, not Mr. Chamberlain's or Mr. Baldwin's or Mr. Roosevelt's?

A. My proposal then would be stated that the people of Canada have a perfect right to require the same consideration from the people who hold Canadian bonds as has been in effect and has been given by the holders of bonds in other parts of the World.

Q. Do you justify it on the ground of necessity?

A. On necessity.

Q. Well now, just speaking of necessity for this reduction, would you turn first of all to page 79 of your brief? where you are showing what will happen under your proposals in the Province of Ontario, the saving on this confiscation of excess interest would be \$8,918,000?

A. Yes.

Q. And it would leave Ontario with a surplus of \$9,841,000. In other words, it would leave Ontario with a surplus if you did not confiscate that?

A. Yes.

Q. So, if you are basing your confiscation on necessity that necessity does not apply to Ontario, does it?

A. But at the same time you could scarcely exclude Ontario from the general situation. It is a part of Canada, a very important part of Canada.

Q. Well now, let us turn to Quebec, the saving there on interest payments is \$1,224,000? A. Yes.

Q. And Quebec would be left with a surplus of \$1,856,000?

A. That is true.

Q. In other words Quebec does not need this confiscation of interest in order to have a surplus, does it?

A. I would not say it does not need it, but certainly it could balance its budget without it.

Q. And in Alberta the saving on interest would be \$1,316,000 and you would have a surplus after that of \$1,225,000. There is pretty close to a balance without your suggested confiscation there? A. That is true.

Q. On page 87 where you are applying your income tax, your new taxation proposals, to the national economy you estimate the increase that you would get from income tax alone would be \$195,000,000?

A. Yes.

Q. Have you given any study as to the length of time that such an income would be available, such an income from income tax would be available?

A. Yes, we do not believe that this would reduce the aggregate regular income of capital in Canada. On the contrary, we believe that by expanding the market, increasing opportunities for investment, the income would be maintained, perhaps even increased, as a result of the organic development of industry in Canada itself.

Q. When you couple that with your inheritance taxation or succession duty taxation, have you given any consideration to the question of how long that income would be available for the Government?

A. Well, you see, on the basis of experience in England, where the inheritance taxes are pretty high, I think we are justified in assuming that it would not affect the organic growth of capital.

Q. Are inheritance taxes in England at all comparable with those you suggest? A. Not quite as high.

Q. Are they half as high? A. I think they are twenty-five.

Q. And what are you suggesting? A. Fifty-six.

Q. Now, on page 94 you suggest a special tax for Canadians residing in Nasseau to evade taxation. How long would they continue to be Canadians after they had left?

A. I do not know, but I know that the Lakeshore Mines property would remain in Canada.

Q. That is true, but how long would they continue to remain Canadians if they were taxed as such?

A. It would not be a question of taxation as such, if we tax wealth at the source it could be taxed regardless of whether these people remain Canadians or become Americans or anything else.

Q. They would then become taxed under a previous heading, taxed on export profit. You have two different taxes, a tax for Canadians residing abroad and a tax for people residing abroad and owning investments in Canada. When would they pass from one class to another under the system you envisage? A. At the time when you lose the advantage of the taxes.

Q. I am asking you at what point would they cease to be Canadians living abroad and become holders of securities abroad but no longer Canadians?

A. At the time they renounced their Canadian citizenship, their status.

Q. So you cannot count on additional tax for very long?

A. Yes, we could.

Q. You think you could? A. Yes, because it would be quite possible for the Dominion Government to take such measures that it would be more profitable or it would be less costly for a man to remain a Canadian citizen than to

renounce his citizenship under these conditions.

Q. But it is not suggested in the brief, the method of doing it?

A. No, we do not believe those people would do such a thing. It is scarcely believable that those people hold their Canadian citizenship so lightly that they would renounce it to evade the laws of the country.

COMMISSIONER ANGUS: Would not a man who became liable to this extra taxation in Nassau simply sell his securities?

MR. BUCK: Perhaps he would do so.

COMMISSIONER ANGUS: You are not proposing to earmark the securities so that whoever got the securities would be taxed?

MR. BUCK: Yes, there is a possibility that might be done. We have mentioned such possibility in the brief, the danger of the flight of capital. This is not an unknown phenomenon in Europe today and we have suggested some measures that could be taken to prevent such things. I agree that plenty of people might be inclined to do that. On the other hand I do not think any of us will deny there is a general tendency all over the world for an increase of taxation. People with high incomes are not going to find it so easy to find a place where they can rush to with their money and find tax-free regions. In actual life the temptation would not be quite so promising. While we have mentioned that and we deal with that danger, we propose measures that could be taken to prevent it, we are not inclined to feel that there would be an epidemic of it in just that way, that a man is going to say "If you are going to tax me I will sell all my holdings." He might find it difficult to re-invest his money at

anything like the same rate that he could get here,
at anything like the same taxation.

Q. On page 95 you say, of the interest and dividends on Canadian capital invested abroad it is estimated that 75% was received by corporations. By whom was it estimated?

A. This estimate, of course, is based mainly upon the general conception.

Q. Is this your own estimate?

A. Yes, we had no governmental figures for it.

Q. Now, I just have two more questions to ask. You speak on page 110 and 111 of the dangers of the growth of facism. I want to put this question to you, Mr. Buck. Do you not think that such extreme views on one side are very apt to engender extreme views on the other side?

A. No.

Q. You do not? A. No. I think extreme views come from extreme needs, and extreme views result from a logical following through of the policies that are called for and required to correct evils which are present and which are seen. The extreme, I use the term "extreme", you understand, I am using it for the sake of our discussion here, personally I do not think that communists are extreme people. I personally am a very conservative individual. And communists are not extreme in the sense that the term extremists are generally used. But the expression of facism is the political expression of the extreme need of certain sections of the finance capital with its international connections, and the international dangers that it feels itself faced with, the necessity it feels to stop the democratic movement of the people, to stop the urge of the people towards better living standards and to protect the interest of capital which has come into such sharp conflict with the interests of the great mass

of the people. In these areas, not because there is a communist party but because of the historical development of these contradictions which are represented on the one side by the interest of capital and on the other side by the interest of the common people.

Q. I suggest that fascism was unknown until communism became a political force in the world?

A. It is true that communism dates from 1847, when the first scientific document of the communists, the communist manifesto was written in London, England, and from 1864 when the first internationale organized workingman's organization was organized as the first communist internationale; whereas fascism dates only from 1920 and '21 in Italy. But the rise of fascism and the support given to Fascism by the big interests of Italy was not a reaction to the growth of communism, because there was no communist party in Italy at that time.

Similarly in Germany fascism came into existence immediately following the War, almost contemporaneously with the development of the communist party in Germany. And the big interests in Germany did not believe it necessary to give any large scale support to fascism from 1923 to 1929. Almost everybody remembers the so-called Beer-cellar putsch in Munich where Ludendorff and Hitler attempted to start a fascist revolt, which came to a very ridiculous end. Big capital had comparatively little interest in fascism at that time and did not consider it necessary to support it. The enormous support that was thrown to Fascism in the years following 1929 was thrown there by big capital as the result of the realization that something had to be done there, some political movement or

organization had to be started to save the interest of capital from the combined effects of up-surge of the people and the crisis. And it cannot be said that it was the communist party which provoked fascism there either.

I should also say in conclusion that fascism in Spain, which is actually challenging the legitimate government of Spain, with the support of Hitler and Mussolini came into existence, not to fight the communist party, which was very small, but to fight the liberal government of Cabanas which was elected on the basis of the constitution, which the conservatives themselves had participated in drawing up.

Q. Just one other question : Is your party a member of the Communist Internationale?

A. We are affiliated with the Communist Internationale. I hope you differentiate between the word member and the word affiliated.

Q. Your party has subscribed to the thesis and statutes of the Internationale? A. We subscribe in the sense that we agree with them. We agree with the thesis and statutes of the communist internationale, but they are not our constitution. Our party is a Canadian party organized in Canada mainly out of the Canadian trade union movement, based upon Canadian needs, and we have our own constitutions.

Incidentally I might say, I did not think of such a thing, but if it would be of any assistance at all in comparison, we should be very glad to send you a copy of our draft resolution which was dealt with at our last national convention and is still under discussion, dealing with amendments suggested to it.

Q. And one of the aims of the communist internationale as set out in the thesis and statutes is to wage a struggle

and conduct a revolution to overthrow the bourgeois and create an international Soviet government?

A. I am waging the conflict right here this afternoon against the bourgeois .

Q. To establish the International Soviet?

A. I know historically, I know that in Canada, just as in other countries, socialism is the only final solution of our problems. The development of socialism involves the establishment of a Soviet form of government because socialistic democracy must be based upon a somewhat different form of government to the parliamentary government which evolved with capitalism, just as parliamentary government which evolved with capitalism was a different form of government than that which was maintained under feudalism. While we are fighting for socialism, and we look to socialism as the ultimate solution of our difficulties, the communist party and the Communist Internationale realize, and advocate and preach, as I did, in a public meeting yesterday afternoon, that there could be no thought of establishing socialism until the majority of the people want it. There could be no socialism without the desire of the majority of the people because it would make it unworkable under any circumstances whatever. Certainly it is one of the basic postulates of our whole movement internationally that a struggle for socialism is a struggle that could be carried on only through the struggle for the maintenance and extension of democracy. As Lenin himself, the founder or the leader, I should say, of the modern communist movement wrote, just as socialism itself will extend democracy to the widest scale that democracy has been advanced, so there can be no effective struggle for socialism except through the struggle to obtain democracy. I make this statement because I know

there is an idea that the words socialism, revolution and the words "fight against the bourgeois", have a color of marching with brown shirts on.

Q. As a matter of fact are not the words "armed" or the corresponding words armed struggle to conduct revolt in your thesis? A. Not in our thesis, in theirs.

Q. In the thesis of the communist internationale?

A. Yes, absolutely.

Q. To which you subscribe, - I do not mean you subscribe, but your party? A. Yes, we subscribe to that

because historically it is true that on no occasion in so far as we have historical evidence has a privileged class surrendered its privileges without a struggle.

I do not want to go back to the history of the struggle for Parliamentary democracy either in England or continental Europe or any country or in Canada, as evidence to prove this, but we may take the history of Germany and other parts of Europe since the world war to see how this is based upon the historical fact that until now all through history that democracy has reached out to really give the people a standard of life that is commensurate with the possibilities and has infringed upon the privileges of a relatively small ruling class whether it is under feudalism or modern capitalism.

Those people who enjoy those privileges have utilized every means at their command to prevent democratic progress and it is only that section of the population which is strong enough to support its will, to make sure its will would be carried out, that is able to carry its will through. That is why the question of armed struggle enters into it. There is no suggestion there that the communists prefer it to democratic progress. On the

contrary we are the people who have fought most energetically and consistently to maintain democracy everywhere and in defence of democracy everywhere.

Q. Everywhere? A. Everywhere.

COMMISSIONER DAFOE: Just two or three questions. This is the official product of the Communist Party of Canada?

MR.BUCK: Yes.

COMMISSIONER DAFOE: It represents a policy which can only be brought in by democratic action?

MR.BUCK: Absolutely, yes sir.

COMMISSIONER DAFOE: That is to say you must try to sell this proposal to the majority of the people of Canada.

MR.BUCK: That is right. This is our proposal to the people of Canada of what should be done through our Parliamentary government.

COMMISSIONER DAFOE: Which you want to commend to the people of Canada so you can get a majority?

MR.BUCK: We want if possible to win the majority of the people of Canada to the support of this so that through their provincial government and through the Dominion House of Commons those measures will be carried into effect.

COMMISSIONER DAFOE: If you commanded a majority of the people of Canada and were empowered to put this policy into effect would this be an interim policy or would it embody the philosophy of communism as it would operate beyond that time?

MR.BUCK: No, this would be an interim policy.

So far as we are concerned we believe that the complete solution of our problems involve the collectivizing of the means of production, the mines, railroads, factories, and so on.

COMMISSIONER DAFOE: If you had them in fact democratic government with the right of people to dissent, to advocate alternative measures, your policy would always be liable to rejection at some subsequent election?

MR.BUCK: That is true.

COMMISSIONER DAFOE: So you would have to get 100% of the people before you could collectivize, to have an entire collectivizing government?

MR.BUCK: Of course we do not consider it would be necessary to get 100%. We use the term a decisive majority. That is to say a majority of those people who are really active politically, who are voting and taking a part in the political life. I say that for exactitude because I think it is just as important we should be exact on these things. I do not believe that it is a matter of 100% of the people under the broadest democracy that we could conceive of.

COMMISSIONER DAFOE: The point I am getting at is very simple, supposing you had 65% of the people would you bring in such a system of government of collectivization where there would be no chance for the 35%, who were then in the minority to establish itself as a majority and undo your work?

MR.BUCK: No, I think if we had 65% of the people behind our policy we would adopt the slogan . . . Lloyd George adopted in 1908 of the greatest good for the greatest number and we would carry the policy through. The 35% would of course be unfortunate.

COMMISSIONER DAFOE: The 35% today might be 53% ten years from now. The point that I want to make is this: You say you are a democratic party and I don't question that for the time being?

MR.BUCK: Yes. You mean would we be prepared to

leave the road open for a reversal of the policy?

COMMISSIONER DAFOE: Yes.

MR.BUCK: Of course this is a rather speculative question.

COMMISSIONER DAFOE: No, I think it goes right to the root of the matter .

MR.BUCK: Yes, that is true, but if the nationalism of the natural resources, the mines and factories and railroads were carried through, if they became publicly owned, collectivized property, and then at some future time a majority of the people decided they wanted to change that back, of course it is not for me to say what would happen to the people. Certainly so far as I am concerned I am quite ready and the communist party is quite ready to leave that road open, if anybody can convince a majority of the people under those circumstances that they would be better to go back to private ownership I would be ready to face it.

COMMISSIONER DAFOE: But this is only an interim policy?

MR.BUCK: Yes.

COMMISSIONER DAFOE: This is an interim policy, it is not the real communist policy?

MR.BUCK: It is not the final objective.

COMMISSIONER DAFOE: All right, that is what I wanted to get at. And I just want to observe that while the interim policy is underway it would be very necessary to have a large, fat, industrial capitalist class to make the thing operate.

MR.BUCK: Well, we have a fairly, not a very large one, but a pretty fat and substantial one already.

MR.STEWART: That is all, Mr.Chairman.

THE ACTING CHAIRMAN: We will file the brief as Exhibit 401.

MR.BUCK: Thank you, sir.

EXHIBIT NO. 401 -

Brief of the Central
Committee of the Communist
Party.

THE ACTING CHAIRMAN: Mr.Buck, your submission points out very clearly some of the ideas, claims and desires of the communist party. You realize, of course, that many are of a highly controversial character. There are other portions of your brief which deal with matters which may not fall within the terms of reference of this Commission. These matters will have to be decided. And your brief, so far as it is relevant, of course, will be considered along with the other submissions made to our commission.

MR.BUCK: Thank you, sir. Thank you gentlemen.

THE ACTING CHAIRMAN: The next submission is that of the National Research Council, which is to be presented by Major-General McNaughton.

MAJOR-GENERAL A.G.L. McNAUGHTON, President of the National Research Council was called.

GEN. McNAUGHTON: As the text of the submission by the National Research Council to the Royal Commission on Dominion-Provincial Relations was submitted some time ago by the Honourable W. D. Euler it is only necessary in this presentation to indicate the scope of the brief and to draw attention to its salient points.

In presenting this brief on the organization of research in Canada the National Research Council desires to focus attention on the requirements and importance of a national plan of research in which, by agreement, each existing agency for scientific research can find its own place and can exercise its functions in close cooperation with all other organizations engaged in similar lines of work.

The ultimate value of research to Canada will be determined only by the extent to which scientific investigation and experimentation can be usefully applied to the solution of the country's problems. The effectiveness of research in solving those problems is now too well recognized to require demonstration; but what is not so well or so generally recognized is that the solution of practical problems by research depends on the new facts brought to light and made available by fundamental research; that the long range research of to-day carried forward without immediate utilitarian objectives is the basis of the practical investigations of the future; and that consequently the needs of the nation can only be

met through a well-balanced programme in which each aspect of research, fundamental as well as applied, has its proper place.

Prior to the present century, research in Canada was almost non-existent; even now, organized research may be said to be in its infancy. That being the case, the immediate question is not how much research will ultimately be required but how present research activities can be stimulated to the greatest possible degree. In any expansion of these activities special consideration should be given to the formulation of a national plan of research and to arrangements for close cooperation between all research workers and research organizations throughout the country. In any such plan it is important to realize that progress depends on an adequate supply of competent workers and in consequence it is of the first importance to provide for the selection and training of the not too plentiful number of persons who give evidence of talent. This is particularly true in a young country such as Canada where for many years it is probable that this aspect of the matter will act as a limiting factor in the solution of the vast number of special problems with which we are faced.

It was with a view to this desirable correlation of effort in research that the government of Canada established the National Research Council. In a broad way the first requirements for a national plan of research seemed to be (1) a survey of the country's natural resources, industries and facilities for research; (2) an estimate of domestic needs and of the part which Canada might play in world economy; (3) a study of the means which should be adopted in order to attain the desired ends.

A national survey of the natural resources and industries of Canada from a technical point of view has not yet been made although the statistical basis for the major part of such a survey already exists. Interesting studies were made in this field between 1910 and 1919 by the Commission of Conservation. A survey of the research facilities in Canada was made by the National Research Council shortly after its organization in 1916 but this did little more than disclose the fact that research facilities in this country were pitifully inadequate to the requirements of the nation.

An estimate of domestic needs and of the part which Canada might play in world economy would involve a detailed study of imports and exports in relation to the country's natural resources and manufacturing facilities. While no general survey has yet been made work has been carried on in specific fields. As evidence of the possibilities of this type of research it may be mentioned that one industry which placed its problems before the Council some years ago has, as a result of the developments worked out in the Council's laboratories, more than doubled its production for domestic use and has established a substantial export business to the United States, Great Britain, South Africa and Australia. Royalties on the use of patented processes developed during the research now yield a substantial revenue to the Council.

The National Research Council to-day consists of fifteen members selected for terms of three years from among men prominent in scientific work in Canadian universities or in Canadian industry. The Council is required by statute to meet at least four times annually in Ottawa. There is a president appointed by the Governor-in-Council

for a term of years who reports directly to the Privy Council Committee on Scientific and Industrial Research of which the Minister of Trade and Commerce, the Honourable W. D. Euler, is the chairman.

The scope of the Council's work is set out in the Research Council Act of 1924, sections 6 and 10, as follows:

6. The Council shall have charge of all matters affecting scientific and industrial research in Canada which may be assigned to it by the committee and shall also have the duty of advising the committee on questions of scientific and technological methods affecting the expansion of Canadian industries or the utilization of the natural resources of Canada.

10. Without thereby limiting the general power of the Council conferred upon or vested in it by this Act, it is hereby declared that the Council may exercise the following powers, namely:--

(c) To undertake in such way as may be deemed advisable--

(i) To promote the utilization of the natural resources of Canada;

(ii) Researches with the object of improving the technical processes and methods used in the industries of Canada and of discovering processes and methods which may promote the expansion of existing or the development of new industries;

(iii) Researches with the view of utilizing the waste products of said industries;

(iv) The investigation and determination of standards and methods of measurements, including length, volume, weight, mass, capacity, time, heat, light, electricity,

magnetism and other forms of energy; and the determination of physical constants and the fundamental properties of matter;

(v) The standardization and certification of the scientific and technical apparatus and instruments for the government service and for use in the industries of Canada; and the determination of the standards of quality of the materials used in the construction of public works and of the supplies used in the various branches of the Government service;

(vi) The investigation and standardization, at the request of any of the industries of Canada, of the materials which are or may be used in, or of the products of, the industries making such a request.

(vii) Researches, the object of which is to improve conditions in agriculture;

(d) To have charge of, and direction or supervision over, the researches which may be undertaken, under conditions to be determined in each case, by or for single industrial firms, or by such organizations of persons, as may desire to avail themselves of the facilities offered for this purpose.

(g) Subject to the approval of the Chairman, to publish, from time to time, such scientific and technical information as the Council may deem necessary.

The Council's survey in 1917 of the research facilities available in Canada, served to emphasize the need of national laboratories for research, but decision by the Government to provide these was not reached until 1928. Temporary accommodation was secured in 1929 and in 1932 its present main laboratories were opened and partly equipped.

Apart from administration, which is organized much on the usual lines of a department of government, the staff of the Council is grouped in a number of divisions each under a director. The Divisions of Biology and Agriculture, of Chemistry, of Physics and Electrical Engineering, of Mechanical Engineering including Hydraulics and Aeronautics, are responsible for the direction and conduct of the technical work in the fields indicated by their designation. There is also a Division of Research Information which is chiefly concerned with the collection, collation and distribution of scientific information and the general planning of cooperative investigations through committees. These functions are carried out in part through (a) the maintenance of a scientific library; (b) the publication of the monthly Canadian Journal of Research, the annual report of the Council and various reports on special subjects; and (c) an information service for the preparation of reports, bibliographies, translations and answers to technical inquiries. Provision is made for the closest collaboration between all branches concerned in any particular problem. At 1 June 1938, the staff comprises a total of 181 of whom 76 are graduates or post-graduates. There are also 61 additional research workers of whom 18 are graduates employed directly under committees.

In the brief a few illustrations are given to define the work done in the several divisions more clearly. A few illustrations are given and the work is divided into several divisions. I have here, a list of the projects which are being undertaken in each division at the present time and also, for the information of the Commission, I thought it might interest you to have a complete history of the Council's past.

In order to bring to bear the knowledge of scientific men and industrialists and to correlate the work of all research organizations concerned, a number of so-called associate committees have been set up. The function of these committees is to direct cooperative research on the problems assigned to them; to settle the objectives; to indicate the individuals or organizations which should undertake the several component parts of the inquiry; to receive and coordinate the resulting information; and to make it available to those who will turn it to advantage.

The Council endeavours to ensure that these committees are comprehensively representative of all the interests and expects them, each in their proper sphere, to form a national plan into which all who are in a position to contribute information can fit their own particular lines of research. In the case of agricultural problems most of the committees have now been reorganized as joint committees of the National Research Council and the Dominion Department of Agriculture. The scope of work covered by Research Committees is indicated to some extent by the following list of those now in existence: Aeronautical Research, Asbestos, Coal Classification and Analysis, Field Crop Diseases, Forestry, Gas Research, Grain Research, Laundry Research, Leather, Magnesian Products, Metallic Magnesium, Market Poultry, Medical Research, Oceanography, Parasitology, Plant Hormones, Potato Research, Radio Research, Radiology, Storage and Transport of Food Survey Research, Trail Smelter Smoke, Tuberculosis, Weeds and Wool.

I am prepared to answer questions on any of those subjects if you wish any further information about them. I can give you any of the details you may care to know

concerning the organization of the various committees which I have mentioned. In some cases, we have reports from these committees which will indicate the result of their work.

THE ACTING CHAIRMAN: Mr. Stewart, do you wish to question General McNaughton?

MR. STEWART: I do not think so. There is nothing which occurs to me, although possibly the investigation and analysis made in connection with coal might be of interest to the commission as illustrative of the work which is being carried on.

GEN. McNAUGHTON: Yes, I think it might. Coal inspection and analysis is a very interesting endeavour which was started six or seven years ago. It has been proceeded with ever since that time. Perhaps the most interesting part of the organization is the fact that there were two committees, one in Canada and one in the United States. These two committees have worked in very close cooperation in determining the various scientific basis for the classification of coal on the North American continent.

I might say that the information from both sides was pooled. It has been found that the results of the Canadian research work was very sympathetically considered, and it has been taken fully into account in that report. Now, the report of our associate committee has been brought forward and at the present time it is under consideration by the various interests and groups concerned in Canada, to see whether it will be adopted and made final. We are not able to say whether it will be at this stage, because we are awaiting an expression of opinion from the various interests to whom the report has been referred. If it is agreed to, we will make recommendations, including very

definite proposals for coal classification and analysis which would establish these various classifications. We would put them up to the government for general adoption. First, I think they would be adopted for government purposes and what usually happens in those cases, when you get the advantage of having standards provided for government services, industry quickly takes advantage of that and adopts it as its standard .

I want to make it very clear that the National Research Council has no powers of compulsion in any of the standards we point out, and that we do not seek any powers of compulsion. We believe if we are to get anywhere with our work that it must rest on the merits of the work itself, and if the work has merit and is useful in due time it will be adopted by those responsible. In that respect, of course, we differ from the Departments of the Government. We are not a Department of the Government; Parliament saw fit to set us up as a corporation, with specific duties relating to research and investigation and the giving of technical and scientific advice. And I think it is obviously the intention of Parliament that we should not be required to administer, because our whole organization is not adapted to that end.

COMMISSIONER DAFOE: What does your research in tuberculosis cover?

GEN. McNAUGHTON: Research in tuberculosis is principally concerned with investigation of B.C.G., which is a substance that had its origin in France. This Baccillus was held, particularly in the case of infants, to increase their resistance to this dread disease, tuberculosis. The Council's work has gone on through, I think, about twelve years now, speaking from memory, and we have carried out this research in Montreal, - very important test work was done in Montreal and equally important test work was done with the Indians on the Reserve north of Regina. Our Committee has not yet brought in an official report, and it is due to meet in the latter part of this month. I may say that Sir Frederick Banting is now the Chairman of that Committee. It comprises very eminent medical authorities in the field. A vast amount of statistical information has been collected, and speaking as a layman in medical matters

I feel convinced that they have something which is of great use to the people of this country in giving a method of cutting down the incidence of that disease. Of course, Mr. Dafoe will be familiar with the results which we achieved on this Indian Reservation north of Regina, being a Western man, where on the particular reservation to which I refer tuberculosis has, to all intents and purposes, practically been stamped out. How much of that is due to B.C.G. and how much is due to the efficiency of the particular medical group giving attention there I am not prepared to say at this time. I think both have been contributory factors.

THE ACTING CHAIRMAN: Was there not great controversy some years ago, in Europe, about B.C.G.?

GEN. McNAUGHTON: There was controversy not only in Europe but in this country, and particularly when it came to the question of bovine tuberculosis. But I think the vast statistical records that these Gentlemen who serve on that Committee have collected have pretty well settled or will settle shortly those matters. As I say, I am not a medical man, although I had to read the evidence carefully, and I think it shows quite clearly the substance is useful.

Perhaps I might mention, since we are on the subject of medical matters, that that Committee will shortly be brought under the control of a new Committee which we have just set up. We have been through a period where not only the Council but the great medical organizations and the universities concerned with medical research felt that there was need for bringing medical research in Canada to a more adequate focus than in the past, and working at the insistence of those Gentlemen, the National Research Council was empowered by the Privy Council Committee to collect together a leading group of persons concerned with medical research in Canada. Every organization and group concerned in that

field was represented at the meeting held in Ottawa on the 18th of February, 1938, and as a result of the conclusions of that Conference the Council was asked to establish a new Committee on medical research. The Council took action accordingly, and that Committee has been set up, and I think if I read to you the names of the Gentlemen who comprise it you will realize that it is a very significant move. The Chairman of that Committee is Sir Frederick Banting. The Members ex officio, the President of the National Research Council, who is myself; the Deputy Minister, Department of Pensions and National Health; the President, Canadian Medical Association, Dr. E. H. Leggett; the President of the Royal College of Physicians and Surgeons of Canada, Dr. George S. Young; the nominated members are Dr. G. H. Ettinger, Professor, Department of Physiology and Embryology, Faculty of Medicine, Queens University, Kingston; Dr. A. Grant Fleming, Dean of the Faculty of Medicine and Professor of Public Health, McGill University, Montreal; Dr. J. E. Gendreau, Director, Radium Institute, University of Montreal, Montreal; Dr. Duncan Graham, Head of the Department of Medicine, Banting Institute, University of Toronto, Toronto; Prof. V.E. Henderson, Secretary-Treasurer, Banting Research Foundation, Toronto; Dr. Donald Mainland, Professor of Anatomy, Dalhousie University, Halifax; Dr. C.C. Pierre Masson, Professor of Pathological Anatomy, University of Montreal, Montreal; Dr. J.C. Paterson, Director of the Pathological Department, Regina General Hospital, Regina; Dr. W.G. Penfield, Professor of Neurology and Neuro Surgery, McGill University, Montreal; Dr. P.H.T. Thorlakson, Professor of Surgery, Faculty of Medicine, University of Manitoba, Manitoba; Dr. Arthur Vallee, Professor of Pathological Anatomy and Secretary of the Faculty of Medicine, Laval University, Quebec; and Dr. J.G. Collip, of McGill University.

I mention that organization for medical research generally because the Council at its meeting on Friday last made a decision to bring all our related activities in the field of medical research under the organization of this Committee. I am prepared, although this document is marked confidential, to table a copy of it for the information of your Commission, if you like, because there is a great deal of interesting information about medical research in Canada.

MR. FOWLER: We might mark the Memorandum as Exhibit No. 402, and the proceedings of the Conference as Exhibit No. 403.

EXHIBIT No. 402. Memorandum as to
the organization of
Research in Canada.

EXHIBIT No. 403. Proceedings of the
Conference on the
organization of
Medical Research in
Canada.

MR. STEWART: There are just one or two questions. At page 41 of the memorandum that is exhibit 402 you refer to overlapping and duplication of effort can be almost entirely eliminated by close co-operation between research bodies. Could you give us instances in which such overlapping and duplication of effort exists today, General McNaughton? - I know that is not a nice question to ask, but I realize that when I ask it?

GEN. McNAUGHTON: It is almost answered by another question, that is to ask me to tell you where it does not exist, it would be easier. When you get into the field of pure science where workers are striving for recognition and for the advancement of science generally, they are serving a cause which is peculiar to themselves, there is no difficulty whatever. We find that university workers and our own workers will deal with researches and they will cross examine one another and criticize and make suggestions, and out of those of course knowledge follows. When you come into the field of industrial research, where companies are looking for processes which they want to protect shortly by patents, and which they hope will bring them very large sums of money, then it is exceedingly difficult to provide for an interchange of information, although in many cases of that sort we, I think, have been able or have been instrumental in winning the confidence of a great many people and we know a lot of their secrets, in which we kept the faith. But sometimes we tell them that their secrets are not quite as valuable as they think they are and if they would only swap yarns with so and so that they would both get something out of it. We generally can get people to co-operate through the organization of our

committees.

Q. In connection with the departments at Ottawa, as between the departments, do you think there is any field for the elimination of overlapping or duplication of effort still, in matters of research?

A. I think you have got to treat the organization of government in Ottawa as a thing that will never be finished, that times change, and with which your instruments must change. There used to be an idea that the council was set up for the purpose of taking all the scientific work away from the departments of government. I do not think many people who know the council's organization and who know the possibilities of the Council would subscribe to that view. Certainly I do not. I believe that where departments of government have been set up to administer specific acts of the Parliament of Canada, take for example some of the acts administered by the Department of Agriculture, or some of the acts administered by the Department of Pensions and National Health, that they have got to build up their testing organizations relating to their particular functions, and that those testing organizations and to a limited extent research organizations, must be under the executive control of the responsible officers of that department. They cannot go outside to get this actual work relating to their duties imposed on them by parliament carried out by anybody else.

What happens there is that this Department of Health, for example, may have some medical men working on problems and to develop a new method they want to bring to bear the service of a physicist or biophysicist or chemist or biochemist or something of that sort to go into plant hormones or growth stimulants

substances; our council forms a central scientific pool to which those various departments can come for assistance and we can take their special problem requiring a specialist out of their own ordinary field, we can supply them with those specialists and try to find the answer, give them the answer, and then put our organization to work in other fields and keep on. What we do not want to do is have a continuing responsibility for an administrative function which is not ours.

Q. For instance the fisheries research board, a comparatively recent organization?

A. The fisheries research board now takes the place of the old biological board of Canada, which is an organization that dates back for many, many years, and which controls biological fisheries research stations on the West Coast and on the Atlantic Coast, and in the Gulf of St. Lawrence. There is a close collaboration between the fisheries research board and the council and in many of the committees we are jointly responsible for the organization. We are the joint sponsors for a number of organizations. For example, the work in oceanography, the scientific study of the resources of the sea in the hope that we may turn them to the benefit of the people who live on the land, and in that field the council and the board are now proceeding to re-organize the only scientific committee under our joint auspices.

Also in the other committee, the fresh water fish culture, the national committee on fresh water fish culture, we hope to stimulate the growth of fisheries in our fresh water lakes throughout the country. That whole endeavor is carried on jointly, as it was within the old biological board, and the national research council. As a matter of fact we give the grants in aid.

We work together, the board and the council come together and decide how much is to be given and we put this before the Privy Council Committee and the Council are then told to take this amount of money and assist to stimulate this work throughout the country.

Q. So you do not consider today there is any overlapping or duplication of effort? A. Not in general principle. There are always occurring little points for adjustment and you have to meet those things as they come along.

Q. A comprehensive organization, would it, or would it not, in your opinion --- A. Be necessary?

Q. Be necessary to overcome it? A. Absolutely not. I think what we want is to realize the principle that where a minister has got an administrative function imposed on him that must be under his own hand, the where-with-all to carry it out, and that these organizations must have a common pool to look to for extra scientific advice, otherwise you would have a bunch of experts all over the lot and that would be a waste of resources.

Q. And that is one of the functions of the council? To organize so it does not exist in that form?

A. Yes, and one of the functions of the council is to bring together these different sections on a common meeting ground and produce the answer which is required in the public service.

Q. There is one other branch of the service, or co-ordination with one other branch, that is the lands, parks and forestry branch of the department of Mines and Natural Resources. I was wondering if any duplication or overlapping existed there, that might be done away with?

A. Well, you put me on the spot as you say in that way

because you hit on one of the branches where there is duplication and where it is necessary to do certain re-organization and I think it is generally recognized and I think the Government has it under consideration at the very minute. I do not think, sir, this Commission is really concerning itself with something immediate like that. It is rather embarrassing for me to speak about it. I should think you are more concerned with matters of principle and using those things as illustrating, rather than with a thing which is causing a great deal of heart burnings at the moment.

Q. I was not aware of the fact that it was causing any difficulty at the moment, but it did strike me as one matter in which there would be?

A. If you hear me you will have to hear hundreds of others on that point.

MR. STEWART: Well, I will leave it to the Chairman of the Commission whether I should pursue this matter further. I think I should be guided by the Chairman as to whether I should pursue it.

THE ACTING CHAIRMAN: Have you the Order-in-Council? I think the Order-in-Council relates to overlapping.

MR. STEWART: But I understand, Mr. Chairman, it is a matter which is now under consideration.

THE ACTING CHAIRMAN: Oh well then, pass on.

MR. STEWART: There is just one more point.

GEN. McNAUGHTON: I will tell you, so far as the difference in research in forestry is concerned, the research in forestry is really divided in two parts. There is sylvi cultural research which must be carried on in the woods, and industrial research like research for making use of the products, such as is carried on by the forest products laboratories and the pulp and paper laboratory in Montreal.

With regard to the sylvicultural aspect, there is no controversy. Some years ago, at the instance of the Dominion Forest Service, the various departments and the council established an associate committee which is a comprehensive representation of every sylvicultural interest in the Dominion of Canada. This committee meets annually to consider the many suggestions as to the amount and kind of research work which must be carried on. The only trouble we have at this point is that, although we have a lot of fine ideas, we have not been able to get enough money to carry them forward to completion.

We also have, as many of you know, very largely as a product of the work done under the unemployment relief by the Department of National Defense, a chain of forestry

experimental stations which extends from the Atlantic to the Pacific. In the province of New Brunswick, there is Acadian Forest which consists of some 60 square miles. This was handed over by the then-Premier of the province in order that we could put these men to work and give them something useful to do. The title to this area is now vested in the Dominion Forest Service. There is a station at Val Cartier, in Quebec, where the Department of National Defense gave nearly 40 square miles away. There is a station at Petawawa, where the Department of National Defense handed over 91 square miles. This has been extensively developed to show the typical woods of the Ottawa valley, that is, both hard woods and soft woods.

Then, further west, in this chain of stations, we have 50 square miles given to us by the province of Manitoba on wooded Duck Mountain. Still further west, there are certain rights and privileges on a section of the waste land south of Brandon. Also, in the province of Saskatchewan, at Dundern, certain forestry rights were given by the Department of National Defense. In the province of Alberta, the government gave the whole of the Kananaskis valley, in which there is approximately 70 square miles of the finest lodge pole pine which I have ever seen in my life. This was set aside exclusively for the forestry experimental purposes. It was stated in the gift deed that every cent received from the sale of wood from that area must be ploughed back into the forest research work. Then, we turned our attention to the Kamloops area where we have an option on approximately 70 square miles to be selected from the old Ninskonlinth forest reserve. I think the negotiations are approaching conclusion with the province of British Columbia.

It was felt that we should obtain an island on the Pacific coast in order that we would be able to experiment with the typical coast type trees. An island just north of Deamor's Narrows consisting of about 47 square miles was selected, but I do not think the negotiations have been brought to a conclusion, as yet.

However, you will see from this, that this branch of forestry research is carried on in cooperation between the Dominion forest services and with the help of the Department of National Defense, there have been established the physical means for doing agricultural research in Canada. There were some million man days of labour put into these research stations. Controls were set up and arrangements were made for fire protection. Nurseries were started and some ten million-odd trees were planted. There were thinnings to develop the rates of growth as well as other acts of mensuration at different stages. All of this information we have collected and which is very important, if we are going to do scientific forestry research in this country.

COMMISSIONER DAFRE: The province leaves most of the research entirely to this organization, to the Dominion, does it not?

GEN. McNAUGHTON: No, sir, we do not want them to. We are most anxious that the province should establish bureaus of their own. We have always felt that a corps of trained workers on the spot could look after the local problem and bring it to the attention of the authorities quickly. If we have a corps of trained workers down there, then we have a group with which we can cooperate from Ottawa. We do not want to monopolize the research field. We do not think it would be wise to do that. We

want to have organizations throughout the country doing similar work which we do. I do not think there would be much difficulty in cutting out the overlapping. You must have people doing this work in the provinces. You could not afford to say to a central organization, any more than we could afford to say to a central organization in England, "Do our research work for us". As a soldier, and I suppose I can claim to be a scientist now, as I have been working with them for so long, I would say this; I would sooner buy my protection than I would buy my research. It is absolutely essential, if we are going to make progress to-day, to do our research work ourselves.

MR. STEWART: In the social services, is your council taking any part in research?

GEN. McNAUGHTON: It does not come under the terms of our reference, as we read our Act. We are related to the physical side rather than the social side. Naturally, we have taken an interest in it, but we have no authority to do it.

MR. STEWART: You have no authority?

GEN. McNAUGHTON: No, not under our Act.

MR. STEWART: You spoke of the necessity of trained men for research purposes, have you considered whether it would be necessary for the Dominion to take some part in the education or cost of education for such trained men?

GEN. McNAUGHTON: We are doing so.

MR. STEWART: To what extent?

GEN. McNAUGHTON: We have spent, according to the Council's report, a little over \$560,000.00, during the Council's life.

MR. STEWART: In scholarships, mostly?

GEN. McNAUGHTON: Yes, and here is the result in

that connection. May I table this document, sir?

THE ACTING CHAIRMAN: Yes, you may. It will be marked as exhibit number 404.

EXHIBIT NO. 404: List of Fellowships, Studentships, and Bursaries, 1936.

GEN. McNAUGHTON: It is a very interesting document.

MR. STEWART: I suppose you contemplate that the need will grow rather than diminish with respect to this need for trained men, experts and assistants?

GEN. McNAUGHTON: The amount we have spent annually under the Council has varied considerably. It started in 1917-18 with an expenditure of \$5,550.00. It reached its maximum in the period of 1930-31, when we spent \$59,339.00. Then, it fell, during the depression, to a low point of \$5,960.00. The curve is now on the uptrend and for the current year, there is an appropriation for \$30,000.00 to be spent on scholarships.

Perhaps the Commission might like to know what we have done with the money. There are forty-nine scholarships granted each year. I would be glad to table all the information, if you would like it. I could table the names of the scholarships, for what they are granted and where they are held.

MR. STEWART: There is just one further question in connection with the research in the social sciences and that, is whether in your opinion the National Research Council is the logical body to conduct this type of research? Have you any views on that point?

GEN. McNAUGHTON: Yes, I think I have views on it, but I would submit them with all deference. One must come back to this and say that, as a general principle of organization, it seems to me it is a mistake. Where you are

dealing with a subject with limited resources as you are in the case of organized research in the physical sciences, if you use your resources for the purpose for which they were intended, then you get fairly good results. You should only impose extraneous tasks upon those resources when you feel they are more than adequate to meet the need. Our situation is this, that the Council to-day is doing a job which has been assigned to it and in doing the tasks put upon its shoulders by Parliament, it has a job which will fully occupy its attention. I think it would be most unwise, in the public interest, to give it functions outside of its scope. I think if you are going to have research for the social sciences, you must set up an organization which is specially constructed for that type of work.

COMMISSIONER ANGUS: Is your charter sufficiently elastic to allow medical research?

GEN. McNAUGHTON: Medical research, sir, was not mentioned in the Act. There is, however, an all-embracing clause which says the Council shall do such things as the Privy Council directs. When it became a matter, as it did a year ago, of trying to bring medical research to a focus, the Cabinet met and gave us the order that we were to take on the organization of medical research and set up a committee for that purpose. The proceedings of that conference are all set forth in the document which I have tabled.

COMMISSIONER ANGUS: I wondered if there was any possibility of social science research being dealt with in the same way?

GEN. McNAUGHTON: I have no doubt if it were considered expedient the government would do it. Under our

Act, we have to do what Parliament may direct us to do. It is questionable though, whether it is the part of wisdom to impose such a burden on an organization which has been created, developed and which is fully loaded with its present responsibilities, to ask it to turn its attention to another field. I would not agree that it was a wise thing for people to do. However, if we are told to do it, we will do it, but if we are asked to advise, we will advise against it.

COMMISSIONER ANGUS: There were a good many issues raised before the commission concerned with the desirability of research in the social sciences being undertaken by a national body. For instance, such matters as education which would be, presumably, a continuing research. This is the sort of investigation which might be necessary if a health insurance act were contemplated. It might attempt to compile data, and so on, which would be a job for the medical men. The Act would, presumably, provide for its own data, subsequently, but I was wondering if you could amplify a little on what you said about the structure of an agency which might be used for that, in view of the fact it would have to cooperate closely with the bureau of statistics and other existing agencies.

GEN. McNAUGHTON: You see, if I might put it this way, sir. Research has become a sort of text word, a word with an all-embracing meaning in the minds of the people. Our organization is styled as the National Research Council and because of this, we are asked to do all sorts of things.

I might give you an example of the sort of thing I have in mind. There was a case of a poor widow who had lost her son. She had sent out searching parties and searches had been carried on by all the police forces. Hearing of

this Research Bureau, she asked us to do a research on her boy; that is not fanciful, it is the sort of thing which happens. The requests we receive go all the way from this sort of thing to the things which are very definitely within our responsibility. The country needs metallic magnesium. We are paying fancy prices for it from Germany, and some from the United States. We have the natural resources, and the Department of Mines and Resources, the Department of National Defense and the people who are interested in the manufacture of aircraft say, "Why can't we have metallic magnesium"? The council gets busy on the problem, and that is the kind of thing we are qualified to do. Now, the social sciences would demand a staff which would be very differently trained.

COMMISSIONER ANGUS: What I am really driving at is this; would it be desirable if social sciences were dealt with, to have a Social Science Research Council?

GEN. McNAUGHTON: I would not care to express an opinion on that. I do not care to express an opinion unless I have had an opportunity of studying the problem. I have never thought much about the social work, at least, not enough to clarify my mind on the matter. My own opinion, at the moment, is quite negative, that it should have nothing to do with this organization because it would mean that we would have to deform our organization. I think it would spoil the Research Council for the job it has been set up to do.

THE ACTING CHAIRMAN: We desire to thank you, General McNaughton, for the interesting presentation which you have made. We will adjourn now to resume to-morrow morning at 10.30.

(The Commission adjourned at 5 p.m., to resume Thursday, June 2, 1938, at 10.30 a.m.)

ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

JUN 2 - 1936

REPORT OF HEARINGS

REPORTERS:

George Thompson
John Robertson
David Torry



OTTAWA, ONTARIO, JUNE 2, 1938

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GOVERNMENT

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DEPARTMENT OF JUSTICE

P. M. ANDERSON, K. C., Legal Officer

9905-9910

CANADIAN TRAVEL BUREAU

D. LEO DOLAN

9910-9926

OTTAWA, ONTARIO, JUNE 2, 1938

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ROYAL COMMISSION ON DOMINION-PROVINCIAL RELATIONS

OTTAWA, ONTARIO, JUNE 2, 1938

The Royal Commission appointed to re-examine the economic and financial basis of Confederation and the distribution of legislative powers in the light of the economic and social developments of the last seventy years, met at the Hearing Room, of the Board of Railway Commissioners, on Thursday, June 2, 1938, at 10.30 a.m.

PRESENT:

COMMISSIONER JOSEPH SIROIS....THE ACTING CHAIRMAN

JOHN W. DAFOE, Esq.

PROFESSOR HENRY FORBES ANGUS

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)
)

Commissioners

Commission Counsel:

James McGregor Stewart, K.C.

Secretariat:

Alex. Skelton, Esq.

Adjutor Savard, Esq.

R. M. Fowler, Esq.

Wilfrid Eggleston, Esq.

Secretary

Secrétaire Français

Legal Secretary to

The Chairman

Assistant to the

Secretary

FOR THE DOMINION GOVERNMENT:

P. M. Anderson, Esq., K.C.

Legal Officer, Department
of Justice.

D. Leo Dolan, Esq.

Chief of Canadian Travel
Bureau

Hearing Room, Board of
Railway Commissioners,
Ottawa, Ontario,
June 2nd, 1938.

MORNING SESSION

The Commission met at 10:30 A.M.

THE ACTING CHAIRMAN: Will you please proceed,
Mr. Anderson? I understand you have a statement?

MR. P. M. ANDERSON, K.C., of the Department of Justice,
was called.

MR. ANDERSON: Yes, Mr. Chairman, a statement I
prepared, in reply to two questions submitted by the
legal secretary to the Chairman which are in effect:

"1. That evidence be given on the subject of
administration of justice in revenue and
prosecutions and the overlapping and confusion
where a special prosecutor is appointed by the
Dominion; and

2. That evidence be given on the theoretical
value of the type of legislation of which the
Criminal Code is the most notable example. That
is, legislation in which the Dominion enacts the
law and leaves it to the province for administrat-
ion.

I may say with respect to the first question -

Prosecutions for offences against the revenue
laws of Canada are instituted through Customs or
Excise officers, among whom are included members
of the R.C.M.P. Generally, when the officers are
ready to institute proceedings or have caused the
arrest of any person counsel is sought through
the Minister of Justice to conduct the prosecution,
if it is under the summary convictions part of the
Criminal Code, or to conduct the preliminary hearing
if the proceedings are to be by way of indictment.

In the latter event, if the accused is committed for trial, counsel, acting as agent for the Minister of Justice seeks authority of the Attorney General of the Province, either to be associated with the local Crown Attorney or to conduct the case himself. In the more important cases counsel acting on behalf of the Dominion gives considerable time, before the institution of proceedings as well as after, to the study of the facts in detail and works in close cooperation with the Customs or Excise officers, and as a result has a more thorough understanding of the case than would the local Crown Attorney who would not, in the ordinary course, have the same time available to devote to the particular case. Further, the local Crown Attorney, not acting on behalf of the Dominion, would not be subject to instructions from the Dominion.

These laws are revenue laws affecting only the Dominion and the Dominion is the one particularly interested in the enforcement thereof and it is essential that it should have full control of all cases arising thereunder.

In the Matter of a claim under section 1036 of the Criminal Code to certain fines - Attorney General of Nova Scotia v. Attorney General of Canada (1937) S.C.R. 403 at 412 - the following statement appears:

As stated by Chief Justice Chisholm in his reasons for judgment in the present case:

It has always been the practice to permit counsel for the Government of Canada to act in revenue cases, nominally under the

Attorney-General of the Province. The Attorney-General has the nominal, the counsel for the Government of Canada has the virtual conduct of such prosecutions. In no other way can the revenues of Canada be adequately or at all protected unless the Dominion is represented and given the conduct of the case." The the court goes on:

"We have no doubt that this statement of the learned Chief Justice, concurred in by the other judges of the court, rightly represents the situation."

I think this observation of Chief Justice Chisholm's, approved of by the Supreme Court, answers in an effective way the criticism of the Dominion for the present practice."

THE ACTING CHAIRMAN: Mr. Stewart, would that answer the question raised in Nova Scotia and Prince Edward Island?

MR. STEWART: Yes, Mr. Chairman.

THE ACTING CHAIRMAN: Then, you may proceed, Mr. Anderson. These points were raised in the Maritime Provinces.

MR. ANDERSON: Yes, Mr. Chairman.

With respect to the second question which is the theoretical value of the type of legislation of which the Criminal Code is the most notable example.

" I would think, assuming that the subject-matter relates to a matter unquestionably of national interest and importance, it is desirable that the legislation should not only be enacted by the Dominion Parliament but that from the view point of securing uniformity of administration throughout Canada as well as a more economic and efficient

administration, the legislation should also be administered by the Dominion.

The fact that, under the provisions of the British North America Act, 1867, criminal law and procedure were assigned to the Dominion Parliament on the one hand, and the administration of justice assigned to the provinces on the other hand, does not appear to me to be inconsistent with the foregoing view. Criminal law and procedure were assigned to the Dominion Parliament with a view to obviating the defects inherent in this regard in the Constitution of the United States, where each State has or may have its own criminal law, and divergence rather than uniformity of definitions of crime and matters of procedure are, in consequence the rule in the United States, a state of things which has in more recent years led Congress to add very considerably to the list of federal crimes and to the organization of an elaborate federal police force.

By contrast, the framers of the British North America Act, by assigning criminal law and procedure to the Dominion Parliament, ensured that there would be only one system of law upon those subjects in force throughout the whole of Canada. On the other hand, since crime is, speaking generally, local in its manifestation, the framers of the British North America Act apparently thought it expedient and convenient to commit to the provincial authorities the responsibility of enforcing the criminal law.

The philosophy apparently underlying this distribution of powers resides in the fact that the maintenance of law and order, the prevention as well

as the punishment of crime (except in the event of an emergency affecting nothing short of the peace, order and good government of Canada as a whole), is in its nature essentially a local matter and a local responsibility."

THE ACTING CHAIRMAN: Have you any questions, Mr. Stewart?

MR. STEWART: No, Mr. Chairman, I think that covers pretty well the two matters referred to in the Prince Edward Island brief.

THE ACTING CHAIRMAN: Would you file this statement as Exhibit No. 405, Mr. Anderson, and we thank you for the submission.

EXHIBIT NO. 405: Memorandum prepared by
the Department of Justice.

COMMISSIONER ANGUS: Does what you have just said cover prosecutions for smuggling, for violations, of the customs laws?

MR. ANDERSON: Yes, Mr. Commissioner, the revenue laws cover both customs and excise.

COMMISSIONER ANGUS: And the costs of prosecutions are borne by the --

MR. ANDERSON: By the Dominion, where we proceed, except possibly under Section 1036 of the Criminal Code, it is provided that fines in all revenue cases belong to the Dominion, that is in paragraph A. In paragraph B it provides that in any case where the Dominion bears the cost of prosecution it may keep the fines. Now, in certain cases we do bear the costs of prosecution and keep the fines, such as narcotic prosecutions.

COMMISSIONER ANGUS: But, my recollection is that in Nova Scotia one of the municipalities complained that it had been put to great expense for bringing an expert witness from Ottawa for a smuggling case or something of that kind

Is that a cost that falls on the province and might therefore be transmitted to the province?

MR. ANDERSON: Yes, it might be if it is an indictment to that extent the cost would be borne in the course of the ordinary administration of justice by the province.

THE ACTING CHAIRMAN: I remember a complaint of that sort especially in Halifax, and perhaps in Charlottetown. I remember the complaint in Halifax.

MR. STEWART: Lunenburg, Nova Scotia, I think was the origin of that.

THE ACTING CHAIRMAN: Thank you, Mr. Anderson.

MR. D. LEO DOLAN: Chief of the Canadian Travel Bureau was called.

MR. DOLAN: Mr. Chairman and Members of the Commission: I thought, perhaps, it might be advisable if I touched on one phase of the tourist industry in particular, but at the same time I felt you would not object if I gave you a general resume of what the Federal Government has done in connection with the industry during the last four or five years.

THE ACTING CHAIRMAN: Have you only one copy of this statement?

MR. DOLAN: No, this is just a brief resume. I could give you a copy of the statement if you desired.

I thought perhaps I should start by telling you that the Canadian Travel Bureau was established by the Federal Government in 1934. A special committee of the Senate was established in that year under the Chairmanship of the Hon. W.H. Dennis of Halifax. This Committee opened its sessions on May 2nd., and on May 26th., made its report to Parliament. Briefly this report gave as its chief findings and recommendations: That the tourist trade of Canada is a matter of national as well as provincial, municipal and

private concerns. Second, that it is capable of great expansion. Third, that a Canadian Travel Bureau be established with a director at its head, and fourth, that a permanent progressive program of Canadian Tourist Travel promotion be launched with cooperation between all agencies engaged in this work, agencies both public and private.

Parliament was sitting at that time, the Bureau was established and so the first year there was an amount of \$100,000 placed in the supplementary estimates of 1934.

Owing to the lateness of the season we did not proceed with any extensive campaign in the industry but much useful work was accomplished in making the people of Canada tourist conscious, at least in endeavouring to do so. First, through a national advertising campaign in the newspapers, stressing the importance of the industry and particularly the vital necessity of people catering to the tourists, treating them with courtesy, kindness and fair dealing.

One of the main objects in the creation of the Canadian Travel Bureau was the coordination of the activities of the various tourist agencies and in this regard I think the bureau has justified its existence through the formation and maintenance of a close working cooperation with tourist organizations, not only of the provinces but of various municipalities and the chief transportation companies.

It is not part of the policy of this bureau to over-centralize the Canadian Tourist development. The nature of this field is such that a heavy share of useful public aid through the expansion of the business comes, and indeed must always come from the initiative of the provincial and civic organizations.

From day to day the Canadian Travel Bureau has endeavoured to cooperate with every live organization of

those types in the Dominion, and is extending to the development of Canada's recreational resources a measure of federal support in such forms as will not duplicate or encroach upon the field of provincial or municipal activity. The underlying idea is this, that a central government organization, working in full cooperation with the provinces and with the municipalities and with the transportation companies of all forms, rail, steamship, air lines, bus lines, and the like, that with all those bureaus doing associate work the federal government will furnish leadership and promote good will and I think increase efficiency and avoid overlapping and misunderstanding.

Now, might I say that the bureau has been established close on to five years. We have endeavoured to bring about that cooperation and coordination of services in every year since then. We have annually brought together either in Ottawa or some central place in Canada the representatives of all tourist agencies so that we might in the succeeding year formulate a policy that would, as far as possible, meet the aims and objects of the different sections of Canada.

That has been one part of our effort, to get the coordination of services. I might say this to the Commission that an effective, successful tourist industry depends upon the standard of services offered and, as I said a moment ago, the courtesy and square deal given by those who benefit directly from the business. The benefits of the tourist industry, almost inevitably, touch upon a large portion of the population and affect so many phases of activity that the development of the industry consequently becomes a matter for the community, provincial and national attention. As may be expected, much of this work is in the hands of private business organizations of one kind and another which benefit directly from the influx of visitors, for example hotels and transportation companies. In the local field a great variety of excellent tourist work is also being carried on by the boards of trade, chambers of commerce, automobile clubs, and municipal tourist bureaus. In the provincial field, the tourist work of the various provincial governments is naturally directed along lines that fall within the provincial sphere, for example, the construction and maintenance of highways, the administration of game and angling regulations and the issuing of provincial tourist literature.

We feel, at least the Department feels, that there are several reasons why the Dominion should take an active part in the development of the tourist industry. First,

tourist travel is now largely interprovincial in character. With the extensive use made of the automobile for touring, the tourist may pass through several provinces, and the matter of inducing him to visit Canada and furnishing information as to routes, et cetera, becomes not

merely a provincial, but an interprovincial matter. Second, to the average tourist of the United States or Europe, the general term, "Canada" gives an idea and meaning that the name of a province or other local area does not. In fact, it is surprising the large number of prospective tourists who know very little about provincial boundaries or jurisdiction. I think any one who has had experience in dealing with the public of the United States will realize that this is true. Very frequently we receive letters addressed to Ottawa, Toronto, or something like that.

MR. STEWART: Just by way of showing the other side, Mr. Dolan, I remember I sent a telegram from New York, to Halifax, Canada. The telegraph operator said there was no such place. I said, "Halifax, Nova Scotia", and he remarked, "Oh, yes, we know that place."

MR. DOLAN: The telegraph operator might have had that information.

Thirdly, I think there is a crying need for the carrying to Canadians themselves of the idea of touring Canada and thus diverting a great share of the expenditures by Canadian tourists into interprovincial rather than into international channels.

Frankly, the establishment of the Canadian Travel Bureau four years ago, and it worked during that period, has given the tourist industry, I might say, a very definite impetus. We have, I believe, through cooperative effort, encouraged the provinces to give greater consideration to the potentialities of the industry. We have raised, I think, the interest of certain municipal bodies, which, heretofore, have been rather lethargic in their activities so far as the tourist industry is concerned.

Secondly, we have, what is important from the tourist standpoint, we have done this through the federal government. When the federal government decided to make the development of the tourist industry a national effort, we received considerable prestige through the press of the United States in the matter of presenting our advertising copy. The leading magazines and newspapers had, for many years, carried large advertisements of the other nations in the world, except Canada.

During the last four years, this country has presented, so far as its appropriation would permit, a fairly extensive advertising programme in the press of the United States. It has appeared in the newspapers and magazines. This year, for the first time, we have arranged an advertising programme in Great Britain. We have arranged to use the leading periodicals, weeklies, and magazines. As I have said, we must try to sell Canada or to be more specific, sell Canada's recreational resources. Our Bureau, in its advertising, gives a large picture of this country and its recreational resources. It leaves to the province the dissemination of specific data with regard to the recreational resources of that particular area.

Incidentally, I might say that the bureau was established as a result of the very strong agitation of the tourist interests throughout Canada during a period about seven or eight years ago. During that period, to my own knowledge, as I was associated with the New Brunswick government in connection with tourist matters, it was urged upon the federal government that it should establish a central bureau. It was believed that we were neglecting a great travel market in the United States, while

the other countries were carrying reams of advertising copy asking people to go to Europe and Asia.

Finally, the bureau was established, after many requests. This Canadian Travel Bureau keeps in close touch with the other tourist organizations throughout Canada, that is, the tourist publicity bureaux. It is believed, by these organizations, that the federal organization is not only important, but it is now imperative. I do not know that I need to tell you about any of the details of our bureau, how it operates, when the inquiries are received, and how the inquiries are transmitted to the provincial organizations. I do not suppose you are interested in the distribution of literature or how it is done. I could, of course, speak of the work of the organization outside the country as well as the educational campaign we have had to carry on within the country.

It might interest you to know, however, that as a result of the success of our travel bureau, there is a very strong agitation in the United States to have a federal bureau at Washington similar to the one which our government is now operating, under the name of the Canadian Travel Bureau. The public feels that this industry has become sufficiently important to demand a national effort on the part of the people in the United States. I know of this movement because I have been asked to go to Washington and appear before a Congressional Committee to outline the work of our own bureau.

The Commission, I presume, is familiar with the financial benefits of the tourist trade and its importance in our economic progress and welfare. I do not suppose there is a community which does not benefit directly or indirectly through tourist travel in the Dominion of Canada.

Our frontier traffic last year was the largest it has been for many years and it was the largest frontier traffic in the entire world. Some 18,280,000 visitors came into Canada last year for touring purposes. 4,111,000 automobiles came in for periods of forty-eight hours. This industry, according to the Bureau of Statistics had a monetary value of approximately \$291,000,000, and we received a favourable in international payments of about \$172,000,000, last year.

COMMISSIONER DAFOE: What was that figure?

MR. DOLAN: About \$172,000,000 was the favourable balance to Canada in its international payments last year, as a result of the tourist trade. Besides the indirect revenue which the tourist trade brings to the province, the tourist also brings a direct revenue to the provincial governments. In 1937 the estimated expenditure by tourists from the United States by automobiles was \$181,333,000. A large proportion of this expenditure was necessarily for gasoline on which the province received a revenue amounting to 25 or 30 per cent of the value of the product. Further direct payments by the tourists to the province were fees for hunting and fishing licenses amounting in 1937 to approximately \$575,000.00. Then, there were liquor taxes and similar levies. In connection with the fishing and hunting licenses, that amount of \$575,000.00 was merely the amount which the angler or hunter paid for the right to fish or hunt. I think this amount, by the way, is more than twice as much as the total appropriation for the Canadian Travel Bureau, last year.

The estimated expenditure of tourists from other countries in 1937 was \$294,682,000.00, of which tourists

from the United States accounted for \$277,710,000.00. During the same period, the estimated expenditure of Canadian tourists in foreign countries was, as I have said, \$124,422,000.00, of which \$102,087,000.00 was spent in the United States, leaving a net total balance in favour of Canada of \$170,260,000.00 and a favourable net balance so far as our trade with the United States is concerned of \$175,623,000.00. This large tourist expenditure in this country does much to stabilize the exchange and has been of special importance in relation to our international trade balance.

Perhaps it might be said that the direction of tourist traffic is a question for the provinces themselves, but I am afraid if that argument were carried to its logical conclusion, it would mean that the municipalities and not the provinces are the organizations which should deal with the promotion of this industry. After all, it is the municipality which is in closest touch with the tourist after he arrives in Canada. Generally speaking, our tourist visitor, as soon as he crosses the international border becomes a non-resident taxpayer. In a particular province, he pays for the assistance to hospitals, and in several provinces he pays a tax on gasoline. In other provinces he pays a tax, especially if he is an angler or hunter. More than ever, non-residents are building summer homes in this country and becoming very valuable assets to the army of taxpayers in the country.

I do not know if there is anything else in connection with the matter to which I could refer except this; the tourist industry has become one of the most highly competitive businesses in this world. You need only look at any publication in the United States or in the Old Country, and you are sure to see what a tremendous

drive is being put forward by the nations of Europe and Asia in this great travel market. The United States, in particular, shows the direct result of the activity being put forth by the various governments. Since the Canadian Travel Bureau was established, I am told by the authorities in the United States, there are some 57 different organizations catering for the travel in the United States.

According to a statistician who made a survey for the American Tourist Association, the American people spent close to \$5,000,000,000.00 on travel last year, so that we, in Canada, received a total of approximately \$300,000,000.00 of that amount. I still feel that there is a tremendous opportunity for this country in view of its proximity to the greatest travel market in the world, to increase its tourist traffic by almost 75 to 100 per cent. During the present year, we hope, in view of the troubled situation elsewhere, to be able to attract the tourists who formerly went to Europe. We hope they will turn their eyes towards Canada, and that with this de luxe type of tourist we will build up an industry bigger than we anticipated in Canada for the present year.

I do not know whether the Commission has had any statements with reference to the overlapping of the work of the different tourist bureaus. Perhaps I might say this, that there does not appear to be any unavoidable duplication of effort, except perhaps on an odd occasion which will happen even under the most systematic allocation of duties. Then, in a word, the Canadian Travel Bureau has become a very important organization in the country and our advertising schedules are always well in advance of the provinces'. We are able to supply them

with our proposed list, many, many weeks in advance of their work so that they may tie in with us in our publications in the United States or even Great Britain. A great many of the provinces have tied in with our advertising campaign. It is sufficient to say that many of the provinces use our list of advertising media as selected by the Canadian Travel Bureau, that is, newspapers and magazines.

COMMISSIONER DAFOE: How many provincial governments have travel agencies directly under their control?

MR. DOLAN: There is Prince Edward Island which has a bureau which is subsidized by the provincial government. Nova Scotia, New Brunswick, Quebec, Ontario and British Columbia have travel bureaus. Manitoba has a joint bureau between the province of Manitoba and the city of Winnipeg, as you probably know. Alberta formerly had a bureau, but now I think it is operated under what is called the Department of Industries or Board of Industries and the statistician of the province is in charge of the bureau. Saskatchewan has a small bureau, so that practically all of the provinces are operating bureaus, under government control, some more extensive than others.

COMMISSIONER DAFOE: In your advertising, of course, you pay attention to particular localities. Is there ever any confliction resulting?

MR. DOLAN: No; I am glad you asked me that question. Approximately three years ago, we adopted a zoning policy with regard to newspaper advertising, that is, the particular attractions of the province are advertised in the newspapers published in states adjacent to those prov-

inces. This gives to such provinces advertising which many of them would not be able to undertake owing to their limited appropriations.

You may know that there is a large piece of copy, if I may resort to the vernacular of newspapers, being carried in the Chicago newspapers by our travel bureau. The province of Manitoba, to my surprise, tied right in with our copy, and when you read our copy, you finish by reading the advertisement of Manitoba. This has been our system, to assist the province in areas adjacent to their own province, so we are naturally cooperating.

COMMISSIONER DAFOE: Your advertising, in Great Britain, would be more general, would it not?

MR. DOLAN: Oh yes, the advertising is always general. Perhaps I might leave with you a portfolio showing just what type of advertising we are doing.

THE ACTING CHAIRMAN: What exhibit number will the statement be Mr. Fowler, then this can be marked as the next exhibit?

MR. FOWLER: The next number is 406, but I did not think this was the statement which was to be filed.

THE ACTING CHAIRMAN: No, well, we will have one later on then.

MR. FOWLER: Yes, and this will be exhibit number 406.

EXHIBIT NO. 406: Portfolio illustrative of the advertising being done by Canadian Travel Bureau.

THE ACTING CHAIRMAN: Any questions, Mr. Stewart?

BY MR. STEWART: Q. Could you give us an instance of the co-operation between the Dominion and the provinces, just how it works?

A. I have it here, just as an example, daily there comes into our office 500 to 600 inquiries. We have arranged with all the provinces whereby daily that list goes to them, the list of inquiries which we service in a general way and which they are enabled to service with specific data. And continuously going out of our office every day is a stream of inquiries which have been received as a result of our advertisements in newspapers and magazines, and sent along to the provinces for specific effort. For example, you might write me from say Chicago, and you are desirous of travelling to the Province of Nova Scotia. Our Bureau would immediately give you the general information, in our general pamphlet, maps, and so on, and then Nova Scotia would supply you with the specific data with reference, shall we say, to Chester. I will give you a copy of the list that is sent out every day to the provinces and the railways, and which is sent out to 45 different organizations throughout the provinces. For instance, here is a Gentleman from New York who is interested in the Gaspé Peninsula, and they expect to come through in August, "Will leave here soon so please answer as soon as possible. I understand your booklet on Gaspé is full of interest, may I have a copy." All these inquiries ask for a variety of things, some of which we can supply but the provinces, being closer to the scene of their recreational activities, can give more specific data thereon.

Q. Is it your opinion that these inquiries would not come into the provinces in any event if your organization were not in existence?

A. I am quite positive they would not, Mr. Stewart. Indeed, 76,000 of these inquiries came

into our Bureau last year which was, I think, many thousands more than any one tourist bureau in Canada received during that period. We have had up to date this year, since the first of January, some 45,000 inquiries.

Q. In the advertising you do, do you advertise the special claims of particular localities? A. No, we endeavour to give a general picture of Canada, selling Canada, in a similar manner to the practice of the organizations in the Old Country. For instance, the French do not spend money specifically for Paris or Lyons, they sell France to the tourists. Organizations in England will sell England; Russia will sell Russia; Italy will sell Italy. They try to sell the country to the tourist rather than sell some particular area within that country. That is the policy which we have adopted, and I think it is sound.

Q. Does that type of advertising carry the same appeal as advertising of particular attractions of a particular locality? A. Well, I might say this: If you create an interest in the mind of the visitor in Canada generally you will eventually, when he comes to this country, create an interest in some specific territory. I do believe that our Bureau should only supplement, to a degree, the work which the Provincial Governments are doing. As an example, Nova Scotia's appeal to tourist traffic should be the area along the Atlantic Seaboard east of say Detroit or Chicago, their effort should be concentrated there. But our efforts are concentrated across the Continent, and will bring certain benefits to Nova Scotia by certain advertising we do in the West, the same as advertising we do in the East will bring benefit to people of British Columbia eventually; creating a desire to visit Canada rather than the individual provinces.

Q. By the way, what is your staff, in number? A. My permanent staff is 9, and about 10 temporary.

Q. And the chief expense is advertising? A. We have an appropriation of \$250,000. and out of that every year we have been able to spend approximately \$185,000. to \$200,000. for space and advertising in United States publications. I am rather proud of that.

Q. You gave a figure of the estimated value of the tourist traffic to Canada, from the Americans; I think it was \$172,000,000? A. Tourist trade from the United States, \$277,000,000.

Q. Does that represent their gross expenditures in Canada?

A. Yes, just their gross expenditures.

Q. Is that calculation made by your Department, Mr. Dolan?

A. No, that calculation is made by the Bureau of Statistics.

Q. Do you know the basis of how it is arrived at?

A. Well, the Department issues cards to returning Americans, which are in the form of a questionnaire, and we send to every one who writes us, - this year there will be sent to the prospective visitors a questionnaire in an effort to seek information as to expenditures that he made in the country, how long he stayed here, where he travelled, and the things he liked best. From that we are able to really direct some educational work in Canada. It is rather astonishing, some of the things the American Visitor likes and, incidentally, it is an eye-opener to those of us who are in the tourist business, what we are doing wrong in the eyes of our visitors. We have compiled a rather important set of figures in connection with that. We sent out some 56,000 inquiries, if I remember correctly, and we have reports from our questionnaire that gave us information which may be of interest to you. We had 2208 cars reported, and the total stay in days of those cars was 26,801. The total number of persons was 7,522, and their total expenditure was \$492,051. We broke that down, and the average was

12.14 days per car, and an average of 3.40 persons per car. The average expenditure of the automobile tourists per car was \$222.85, with per person expenditure of \$65.54, or an average expenditure for motor car tourists, according to our records, of \$5.40 per person per day. That is a very low estimate, I think. But it is higher, I might say, than the estimate which Dr. Coates takes in submitting his report showing the monetary value of this industry.

Q. You arrive at the figures from a cross section? A. Yes, and we then endeavour to take our immigration and customs figures and strike an average as a result of the experience of the survey through the cross section.

THE ACTING CHAIRMAN: We share your hopes that the coming season will bring very heavy tourist traffic.

MR. STEWART: The Twentieth Annual Report of the National Research Council will be filed as Exhibit No. 407.

EXHIBIT No. 407. Twentieth Annual
Report of the National
Research Council.

MR. STEWART: You recall, Mr. Chairman, that Mr. Matheson, of the Transportation Commission of the Maritime Board of Trade was to submit copies of certain correspondence indicating the reason for the increase in west-bound freight rates from the Maritimes in 1912. The letter from Mr. Matheson and the correspondence attached thereto will be Exhibit No. 408. Mr. Matheson has also submitted two Reports, one, the class rate adjustment of May 15th, 1912; and the other, the Town Tariff Basis, 1926 as compared to 1907. These are two schedules derived from the Duncan Report dealing with the Maritime Freight situation. They will be Exhibits Nos. 409 and 410 respectively.

Then there were certain questions asked the Canadian Life Insurance Officers Association when they presented their brief. They have now submitted a Memorandum containing the

answers, which is stated May 10th, 1938. That will be Exhibit No. 411.

The City of Hamilton has submitted a brief which covers largely the topics that have been discussed on numerous occasions before the Commission. They desire merely to file it. That will be Exhibit No. 412.

- EXHIBIT No. 408. Letter from Mr. Matheson, of The Transportation Commission of the Maritime Board of Trade and Correspondence attached thereto.
- EXHIBIT No. 409. Schedule re Class rate adjustment of May 15th, 1912 in Maritime Provinces.
- EXHIBIT No. 410. Schedule re Town Tariff Basis, 1926 as compared to 1907.
- EXHIBIT No. 411. Memorandum dated May 10th, 1938, from Canadian Life Insurance Officers Assn.
- EXHIBIT No. 412. Brief of City of Hamilton.

The Commission adjourned at 11.30 a.m.

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